

1 Ford Greene
California State Bar No. 107601
2 HUB LAW OFFICES
711 Sir Francis Drake Boulevard
3 San Anselmo, California 94960-1949
Telephone: (415) 258-0360
4 Telecopier: (415) 456-5318

5 Attorney for Defendant
GERALD ARMSTRONG
6
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8
9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 FOR THE COUNTY OF MARIN

11 CHURCH OF SCIENTOLOGY INTERNATIONAL,))
a California not-for-profit)
12 religious corporation,)
13 Plaintiff,)
14 vs.)
15 GERALD ARMSTRONG; MICHAEL WALTON;)
THE GERALD ARMSTRONG CORPORATION,)
16 a California for-profit)
corporation; DOES 1 through 100,)
17 inclusive,)
18 Defendants.)

No. 157 680

**DEFENDANTS GERALD
ARMSTRONG AND THE GERALD
ARMSTRONG CORPORATION'S
SETTLEMENT CONFERENCE
STATEMENT**

19
20 AND RELATED CROSS ACTION
21

Date: September 19, 1994
Time: 9:00 a.m.
Dept: One
Trial: September 29, 1994

22 **A. STATEMENT OF FACTS**

23 **1. Introduction**

24 Church of Scientology International's ("CSI" or
25 "Scientology") case against Gerald Armstrong ("Armstrong") and The
26 Gerald Armstrong Corporation ("TGAC") is for fraudulent conveyance
27
28

COPY

1 of real and personal property. ^{1/} Said claim is exclusively and
2 necessarily predicated upon a settlement contract (Exhibit A)
3 executed on December 6, 1986. The enforceability of the
4 settlement contract has not been finally adjudicated.

5 It is the subject of a recently pending lawsuit in Los
6 Angeles County Superior Court. ^{2/} In the instant action
7 Armstrong and TGAC have asserted multiple affirmative defenses
8 which attack the validity of the contract. If Armstrong's attack
9 on the settlement contract were to succeed, Scientology's claim
10 for fraudulent conveyance would necessarily be eradicated.

11 Because the lion's share of the issues in both the Los
12 Angeles and Marin County actions are identical inasmuch as they
13 focus on the contract's enforceability, Armstrong and CSI have
14 stipulated that the Los Angeles Action be transferred to Marin
15 County. The Honorable David Horowitz ordered such transfer on
16 September 1, 1994. A copy of said order is attached to
17 Scientology's settlement conference statement.

18
19 ¹ Armstrong also has a pending cross complaint for abuse
20 of process. Scientology has used its manufactured allegation that
21 Armstrong fraudulently conveyed his assets, which it acknowledges
22 it derived from discovery obtained from Armstrong, in a
defamatory "Dead Agent" document to "Black PR" him (assassinate
his reputation). This and other misuses of the judicial process
flow from and are part of Scientology's judicially condemned
philosophy and practice of "Fair Game."

23 ² Over the course of the last 12 years, Scientology has
24 sued Armstrong four times. Initially, it sued him for conversion
25 and breach of fiduciary duties in Los Angeles Superior Court
26 Action No. C 420153 ("Armstrong I"). It lost in what ultimately
27 resulted in a published appellate decision. (Church of
28 Scientology v. Armstrong (1991) 232 Cal.App.3d 1060) Thereafter,
it sued him twice more in Los Angeles (both cases have been
consolidated as Los Angeles County Superior Court Case No. BC 052
395) in its ongoing effort to enforce the settlement contract
discussed in more detail below. Finally it sued him in the
instant action in Marin County.

1 It is the intention of Armstrong, TGAC and CSI to seek
2 consolidation of the two cases for trial in Marin and to continue
3 the currently set trial date so that both cases may be resolved
4 jointly. Thus, the instant settlement conference statement may
5 prove to be premature by September 19th.

6 2. Factual And Legal Contentions In Dispute

7 The primary factual and legal contention in dispute is
8 whether or not the settlement contract is enforceable. Secondary
9 to that determination is whether Armstrong fraudulently conveyed
10 to Walton certain real property located at 707 Fawn Drive in San
11 Anselmo. If the contract is unenforceable, the action for
12 fraudulent conveyance will fall because the claim which provides
13 the statutory predicate for setting aside the transfer of the San
14 Anselmo property will have been extinguished. Since Armstrong has
15 asserted the same affirmative defenses as to the contract's
16 enforceability in both the Los Angeles and Marin County actions,
17 he primarily focuses on it.

18 The contractually conferred rights which Scientology seeks to
19 enforce in the Los Angeles Action, and which it claims Armstrong
20 to have violate, are essentially as follows:

- 21 a. That Armstrong will maintain strict confidentiality
22 regarding his knowledge gained from his experience in
23 Scientology, each violation of which will subject him to
24 a \$50,000.00 liquidated damages provision set forth in ¶
25 7D;
- 26 b. Armstrong will not voluntarily assist any person or
27 group adverse to or aligned against Scientology set
28 forth in ¶¶ 7G & 10;

- 1 c. Armstrong will not voluntarily testify in any
2 administrative, legislative, or judicial proceeding
3 against Scientology in the absence of a subpoena set
4 forth in ¶ 7H;
- 5 d. Armstrong will avoid service of any such subpoena set
6 forth in ¶ 7H; and
- 7 e. Armstrong will keep the terms of the settlement contract
8 secret set forth in ¶ 7I. ^{3/}

9 Armstrong argues that the settlement contract was obtained by
10 duress, mistake and misrepresentation and that it is void as
11 against public policy because it seeks to obstruct justice by the
12 suppression of facts which discredit Scientology. ^{4/}

13

14 ³ Although moot, except for the purposes of contractual
15 interpretation, the contract also called for Armstrong to take a
16 dive on Scientology's appeal of Judge Breckenridge's decision set
17 forth in ¶ 4B and, as set forth in set forth in ¶ 7E, to assist
18 Scientology in obtaining the return of certain incriminating audio
19 tapes in United States v. Zolin, Case No. CV 85-0440-HLH(Tx) that
20 ultimately were adjudicated to contain attorney-client material
21 found to be outside of the privilege as evidence of planning to
commit crimes and frauds against the United States Government.
(see United States v. Zolin (9th Cir. 1987) 809 F.2d 1411 [finding
that crime-fraud exception to privilege did not apply], reversed
and remanded in United States v. Zolin (1989) 109 S.Ct. 2619, 105
L.Ed.2d 469 after which the finding that crime-fraud exception did
apply was sustained. (United States v. Zolin (9th Cir. 1990) 905
F.2d 1344, 1345. cert. denied, Church of Scientology v. United
States (1991) 111 S.Ct. 1309))

22 ⁴ The nature of the material that Armstrong was to
23 suppress can be gleaned from Judge Breckenridge's opinion in
Armstrong I (Exhibit B) where, in part, he stated:
24 In addition to violating and abusing its own members civil
25 rights, the organization over the years with its "Fair Game"
26 doctrine has harassed and abused those persons not in the
27 Church whom it perceives as enemies. The organization is
28 clearly schizophrenic and paranoid, and this bizarre
combination seems to be a reflection of its founder LRH [L.
Ron Hubbard]. The evidence portrays a man who has been
virtually a pathological liar when it comes to his history,
background, and achievements. The writings and documents in
(continued...)

1 Armstrong further argues that said contract is not
2 enforceable because it violates his constitutionally protected
3 rights under the Religion and Free Speech Clauses of the First
4 Amendment and under the California Constitution. Said violations
5 include Scientology's effort to employ the judicial system for the
6 implementation of its "ecclesiastical" policies of fair game and
7 attack the attacker.

8 Armstrong also argues that Scientology's hands are dirty
9 because its use and enforcement of the settlement contract are
10 pursuant to said heinous policies. ^{5/}

11 _____
12 ⁴(...continued)

12 evidence additionally reflect his egoism, greed, avarice,
13 lust for power, and vindictiveness and aggressiveness against
14 persons perceived by him to be disloyal or hostile.

14 (Id. at 8:7-9:4)

14 In contrast to his findings regarding Scientology, Judge
15 Breckenridge found Armstrong and his witnesses to be credible and
16 sympathetic. He wrote:

16 As indicated by its factual findings, the court finds
17 the testimony of Gerald and Jocelyn Armstrong, Laurel
18 Sullivan, Nancy Dincalcis, Edward Walters, Omar Garrison,
19 Kima Douglas, and Homer Schomer to be credible, extremely
20 persuasive and the defense of privilege or justification
21 established and corroborated by this evidence . . . In all
22 critical and important matters, their testimony was precise,
23 accurate, and rang true. The picture painted by these former
24 dedicated Scientologists, all of whom were intimately
25 involved [with the highest echelons of power in] the
26 Scientology Organization, is on one hand pathetic, and on the
27 other, outrageous. Each of these persons literally gave
28 years of his or her respective life in support of a man, LRH
[L. Ron. Hubbard], and his ideas. Each has manifested a
waste and loss or frustration which is incapable of
description.

24 (Id. at 7:9-26) [Note: As reflected in Exhibit G, Sullivan,
25 Dincalcis, Walters, Douglas and Schomer were also silenced by gag-
26 agreements identical to that at issue herein.]

26 ⁵ Foremost among said policies in that which for more than
27 20 years has been known as fair game. Fair game states:

(continued...)

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⁵(...continued)
"ENEMY - SP (Suppressive Person) Order. Fair Game. May be deprived of property or injured by any means by any Scientologist without any discipline of the Scientologist. May be tricked, sued or lied to or destroyed."

(Exh. C: Hubbard Communications Policy Letter "Penalties for Lower Conditions")

Armstrong is considered fair game by Scientology. (Church of Scientology v. Gerald Armstrong, Los Angeles Superior Court No. C 420153, Exh. B at pp. 8:18-21, Appendix at 13:15-22; affirmed, Church of Scientology v. Gerald Armstrong (1991) 232 Cal.App.3d 1060)

Scientology's use of fair game against its enemies has been judicially recognized for almost 20 years. (Allard v. Church of Scientology, (1976) 58 Cal.App.3d 439, 443, fn. 1; Wollersheim v. Church of Scientology, (1989) 212 Cal.App.3d 872, 888; Church of Scientology v. Commissioner of Internal Revenue (1984) 83 T.C. 381, 411-12, aff'd, 823 F.2d 1310 (9th Cir. 1987))

Scientology's prosecution of its lawsuits against Armstrong is pursuant to its "ecclesiastical" policy of Attack The Attacker which states:

"The DEFENSE of anything is UNTENABLE. The only way to defend anything is to ATTACK, and if you ever forget that, then you will lose every battle you are ever engaged in, whether it is in terms of personal conversation, public debate, or a court of law. NEVER BE INTERESTED IN CHARGES. DO, yourself, much MORE CHARGING and you will WIN. And the public, seeing that you won, will then have a communication line to the effect that Scientologists WIN. Don't ever let them have any other thought than that Scientology takes all its objectives."

....

"The law can be used very easily to harass, and enough harassment on somebody who is simply on the thin edge anyway, well knowing that he is not authorized, will generally be sufficient to cause his professional decease. If possible, of course, ruin him utterly."

(Article "Dissemination of Material," Exh. D at pp. 54-55.)

Scientology also uses the settlement contract as plank in platform of retribution against Armstrong inasmuch as it distributes slander of Armstrong and then claims any effort by Armstrong to counter such slander constitutes a breach of the settlement contract. It projects that Armstrong is a "liar" and a "criminal" who is the source of a "Black Propaganda" campaign against Scientology. In fact, it is Scientology who has mounted such a campaign against Armstrong. This policy states:

"The world is full of madmen.
The basic characteristic of extreme madness is perpetual attack, attacks on anything, attacks on persons or things which contain no menace. Extreme, not petty,

(continued...)

1 The contract was obtained by duress because it was obtained,
2 inter alia, as the consequence of years of fair game implemented
3 both on Armstrong, his counsel Michael J. Flynn and multiple other
4 individuals represented by Flynn who sought redress from
5 Scientology. ^{6/}

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7 ⁵(...continued)

8 crime is at the root of such an impulse.
9 The attacker has an evil purpose in life. He is a thing
10 of death, not life. And his harvest is a death harvest.
11 Such a person feels he cannot be safe unless everything
12 else is dead. His evil purpose takes many forms and
13 expressions. The end product is the same-death. ...
14 Where an attacker lacks the physical means of destroying
15 others and where his own purpose would fail if
16 disclosed, the attacks become covert. He uses word of
17 mouth, press media, any communication channel to spit
18 his venom. He hides himself as the source, he makes the
19 verbal attack seem logical or real or proven. He counts
20 on the utterances being picked up or distorted and
21 passed on by the more base people in the society. This
22 is Black Propaganda. It is intended to reduce a real or
23 imagined enemy, hurt his income and deny him friends and
24 support...Black Propaganda is essentially a fabric of
25 lies." (Exh. E: Hubbard Communications Policy Letter
26 "How to Handle Black Propaganda - Rumors and Whispering
27 Campaigns"; Exh. F: Hubbard Communications Policy
28 Letter "Black PR."

18 ⁶ The settlement contract at issue here was one of 19 made
19 in a "universal settlement agreement" made by Scientology on one
20 hand and Flynn, both personally and as attorney for his clients.
21 Scientology gave Flynn a block of money to settle his claims
22 against it as well as that of his clients. In a document which
23 memorialized the distribution of the money among Flynn, his
24 clients and others whom Scientology wanted to silence, the
25 following was stated: "... we acknowledge that many of the
26 cases/clients involved in this settlement have been in litigation
27 against the Church of Scientology for more than six to seven
28 years, that many have been subjected to intense, and prolonged
harassment by the Church of Scientology throughout the litigation
... that Michael J. Flynn ... [has] been required to defend
approximately 17 lawsuits and/or civil/criminal contempt actions
instituted by the Church of Scientology against him, his
associates and clients, that he and his family have been subjected
to intense and prolonged harassment" (Exhibit G)

Flynn also entered into collateral side agreement with
Scientology that affected Armstrong's rights without disclosing
the same to Armstrong. He signed a stipulation that if
Scientology prevailed in its appeal of Armstrong I and it won the
(continued...)

1 As to the fraudulent conveyance action itself, Scientology
2 claims that Armstrong and co-defendant Michael Walton conspired in
3 anticipation of Armstrong's alleged breaches of the settlement
4 contract to fraudulently deprive Scientology of the ability to
5 collect damages for said alleged breaches of the contractual
6 rights to which it claims unperfected entitlement under the
7 contract.

8 Armstrong founded his own church in the mid-1980s. In August
9 1990 due to the escalation of the Persian Gulf Crisis in August
10 1990 he underwent a religious experience in consequence of which
11 he was guided by God to divest himself of his real and personal
12 property.

13 3. Citations Of Authorities
14 Which Support Legal Propositions ^{7/}

15 Enforcement of contract seeks to attack, limit and deny
16 Armstrong's right to freedom of religion:

- 17 ▶ The fraudulent conveyance action is not justiciable
18 because a determination of whether or not Armstrong
19 possessed the fraudulent intent required to prove the
20 conveyance of the property would involve a judicial
21 determination of the truth or falsity of his religious
22 belief that God told him to give away his home and other
23 worldly wealth. Such judicial determinations of

24 ⁶(...continued)
25 case on retrial damages would be limited to \$25,001.00 and
26 Scientology would indemnify Flynn who would indemnify Armstrong.
(Exhibit H) Flynn also promised never again to represent
litigants adverse to Scientology.

27 ⁷ Armstrong's omission of each and every one of his 42
28 affirmative defenses is not to be construed as a waiver or
abandonment thereof.

1 religious belief are constitutionally prohibited as a
2 violation of the free exercise clause of the First
3 Amendment. (United States v. Ballard (1944) 322 U.S.
4 78, 86-88; NLRB v. Catholic Bishop of Chicago (1979) 440
5 U.S. 490, 502; Founding Church of Scientology v. United
6 States (D.C. Cir.) 409 F.2d 1146, 1156; Church of
7 Scientology Flag Services Org. Inc. v. City of
8 Clearwater (M.D. Fla. 1991) 756 F.Supp. 1498, 1513)
9 ▶ Enforcement of contract violates the anti-establishment
10 clause of the First Amendment because Scientology seeks
11 to use the judiciary to implement its ecclesiastical
12 policies of retribution, per fair game and attack the
13 attacker, against Armstrong. (Everson v. Board of
14 Education (1947) 330 U.S. 1, 9, 15-16; U.S. v. Ballard,
15 322 U.S. at 86-87; Abington School District v. Schemp
16 (1963) 374 U.S. 203, 305 (Goldberg, J. concurring);
17 Wollersheim v. Church of Scientology (1989) 212
18 Cal.App.3d 872, 884)

19 Contract seeks to attack, limit and deny the right of
20 Armstrong and the public to freedom of speech based upon the
21 content of his communications critical of Scientology:

22 Thornhill v. State of Alabama (1940) 310 U.S. 88, 95;
23 Associated Press v. United States 326 U.S. 1, 20; New York Times
24 v. Sullivan (1964) 376 U.S. 254, 272; Red Lion Broadcasting v.
25 F.C.C. (1969) 395 U.S. 367, 390, 392; Police Department v. Mosley
26 (1972) 408 U.S. 92, 96; Kleindienst v. Mandel (1972) 408 U.S.
27 753, 762-63; First National Bank of Boston v. Bellotti (1978) 435
28 U.S. 765, 783; City Council v. Taxpayers for Vincent (1984) 466

1 U.S. 789, 804; New Era Publications International v. Henry Holt
2 and Company, Inc. (1988 S.D.N.Y.) 695 F.Supp. 1493, 1506)

3 Contract is unenforceable because Scientology has unclean
4 hands in that its implementation of fair game against Armstrong
5 and his former attorney, Michael Flynn forced the execution of the
6 settlement agreement:

7 De Rosa v. Transamerica Title Ins. Co. (1989) 213 Cal.App.3d
8 1390, 1397)

9 Contract is illegal, unenforceable and void as against public
10 policy because it seeks to obstruct justice by the suppression of
11 facts which are discreditable as to Scientology; therefore the
12 consideration for the contract is illegal:

13 Civil Code §§ 1550, 1595, 1596, 1598, 1599, 1607, 1608, 1667,
14 1668; Penal Code § 136.1; Brown v. Freese (1938) 28 Cal.App.2d
15 608, 618; Williamson v. Superior Court (1978) 21 Cal.3d 829, 836-
16 37; Mailand v. Burckle (1978) 20 Cal.3d 367, 384; Smith v. Bach
17 183 Cal. 259, 262; Tappan v. Albany Brewing Co. (1889) 80 Cal.
18 570, 571-572; Keene v. Harling (1964) 61 Cal.2d 318, 321; Lewis
19 & Queen v. M.M. Ball Sons (1957) 48 Cal.2d 141, 147-149; Tiedje
20 v. Aluminum Paper Milling Co. (1956) 46 Cal.2d 450, 454; Morey v.
21 Paladini (1922) 187 Cal. 727, 738; Allen v. Jordanos' Inc. (1975)
22 52 Cal.App.3d 160, 166; Mary R. v. B. & R. Corp. (1983) 149
23 Cal.App.3d 308; LaFortune v. Ebie (1972) 26 Cal.App.3d 72, 75;
24 Agran v. Shapiro (1954) 127 Cal.App.2d.Supp. 807; Owens v.
25 Haslett (1950) 98 Cal.App.2d 829; Maryland C. Co. v. Fidelity &
26 Cas. Co. of N.Y. 71 Cal.App. 492; Fong v. Miller (1951) 105
27 Cal.App.2d 411, 414; Eggleston v. Pantages (1918) 103 Wash. 458,
28 175 P. 34, 36.

1 Contract was obtained by fraudulent representation that
2 Scientology no longer would practice fair game and through
3 collateral side agreements between Armstrong's counsel and
4 Scientology that were undisclosed to Armstrong:

5 Harding v. Robinson (1917) 175 Cal. 534, 538; Wolfe v.
6 Severns (1930) 109 Cal.App. 476, 485; 1 Witkin, Summary of
7 California Law §§ 393, 398; Williamson & Vollmer Engineering v.
8 Sequoia Ins. Co. (1976) 64 Cal.App.3d 261, 273; Ford v. Shearson
9 Lehman American Express (1986) 180 Cal.App.3d 1011, 1020; Main v.
10 Merrill Lynch (1977) 67 Cal.App.3d 19, 32; McFate v. Bank of
11 America (1932) 125 Cal.App. 683, 686.

12 Contract was obtained by duress:

13 Harlan v. Gladding, McBean & Co. (1907) 7 Cal.App. 49;
14 Sistrom v. Anderson (1942) 51 Cal.App.2d 213; Steffen v.
15 Refrigeration Discount Corp. (1949) 91 Cal.App.2d 494

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17 **B. List Of All Special Damages**

18 Scientology has provided no basis for its damages aside from
19 its reliance of the liquidated damages provision. The settlement
20 agreement has an attorney's fees provision. Armstrong has
21 incurred well in excess of \$218,000.00 in attorney's fees and
22 \$5,800.00 in costs.

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24 **C. Records Pertinent To Settlement**

25 Armstrong has included some of the records pertinent to
26 delivering an understanding of the case above.

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28 **D-F. Highest Offer, Lowest Demand;**

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Settlement Discussions; and Special Barriers

In face-to-face settlement discussions which took place on July 28, 1994, Scientology has communicated that in order for the case to settle, Armstrong must become, and stay, silent. Armstrong has indicated that he will not be silenced and demands payment of his attorney's fees. The parties have been in litigation in one case or another for in excess of a decade. Armstrong is a former official of Scientology as well as the personal archivist for L. Ron Hubbard, its founder. He views the organization as dishonest, criminal and malevolent. Scientology portrays Armstrong as a liar and fomenter of unfair and baseless litigation against it.

The positions of the parties appear to be mutually exclusive in that the right to participate in public debate and the marketplace of ideas, or the right to prevent such participation, is the inextricable core of the conflict.

DATED: September 2, 1994

HUB LAW OFFICES



By: FORD GREENE
Attorney for Defendant and
Cross-Complainant
GERALD ARMSTRONG

PROOF OF SERVICE

I am employed in the County of Marin, State of California. I am over the age of eighteen years and am not a party to the above entitled action. My business address is 711 Sir Francis Drake Boulevard, San Anselmo, California. I served the following documents: DEFENDANTS GERALD ARMSTRONG AND THE GERALD ARMSTRONG CORPORATION'S SETTLEMENT CONFERENCE STATEMENT

on the following person(s) on the date set forth below, by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid to be placed in the United States Mail at San Anselmo, California:

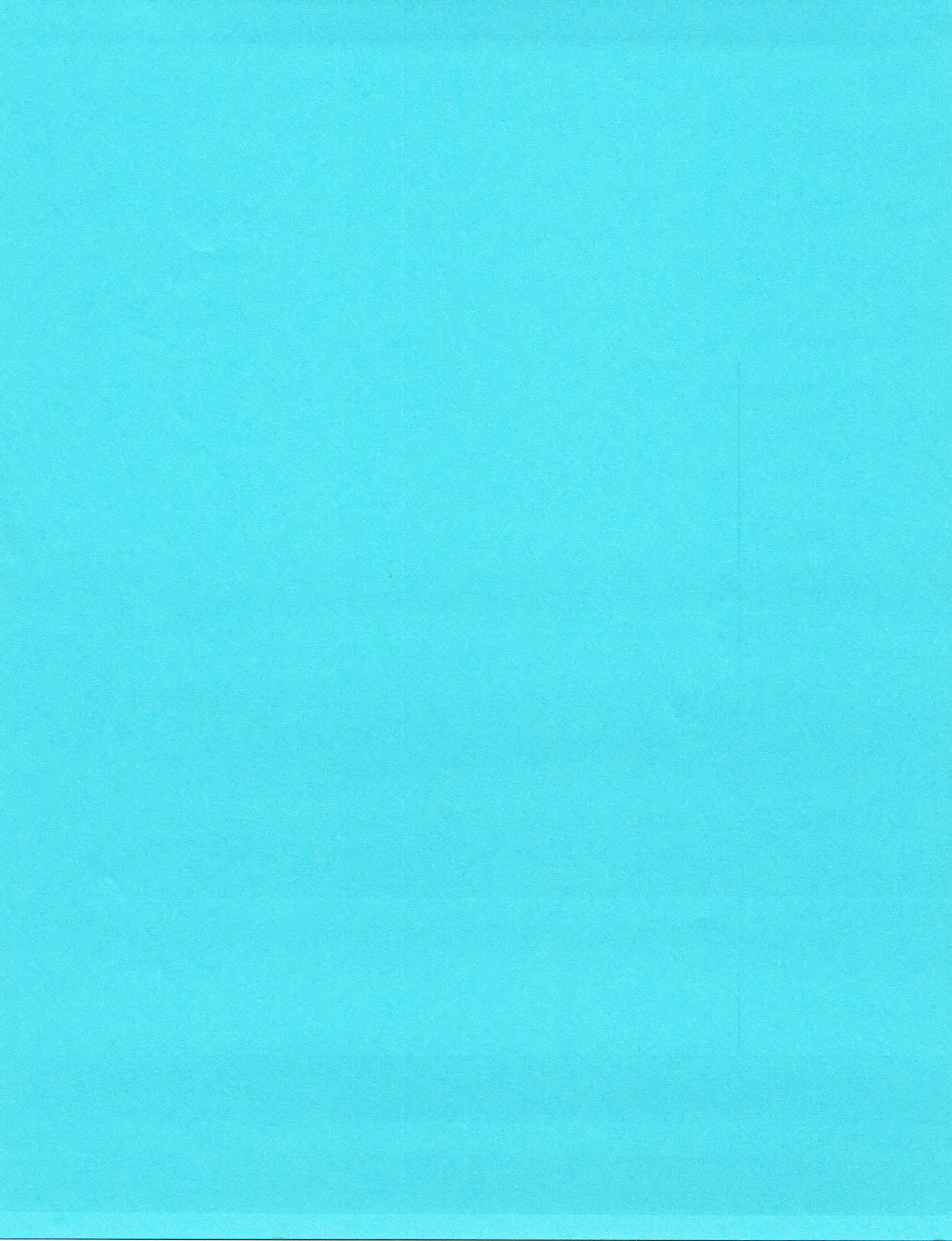
MICHAEL WALTON, ESQUIRE P.O. Box 751 San Anselmo, CA 94979 HAND DELIVERED

ANDREW WILSON, ESQUIRE Wilson, Ryan & Campilongo 235 Montgomery Street, Suite 450 San Francisco, California 94104 HAND DELIVERED

LAURIE J. BARTILSON, ESQUIRE Bowles & Moxon 6255 Sunset Boulevard, Suite 2000 Los Angeles, California 90028 BY HAND TO PARALEGAL M. WARD HOWARD GUTFELD

- [] (By Mail) I caused such envelope with postage thereon fully prepaid to be placed in the United States Mail at San Anselmo, California.
- [X] (Personal) I caused said papers to be personally served on the office of opposing counsel.
- [X] (State) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

DATED: September 2, 1994



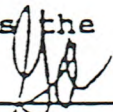
MUTUAL RELEASE OF ALL CLAIMS AND SETTLEMENT AGREEMENT

1. This Mutual Release of All Claims and Settlement Agreement is made between Church of Scientology International (hereinafter "CSI") and Gerald Armstrong, (hereinafter "Plaintiff") Cross-Complainant in Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153. By this Agreement, Plaintiff hereby specifically waives and releases all claims he has or may have from the beginning of time to and including this date, including all causes of action of every kind and nature, known or unknown for acts and/or omissions against the officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel of CSI as well as the Church of Scientology of California, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; Religious Technology Center, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; all Scientology and Scientology affiliated organizations and entities and their officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; Author Services, Inc., its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; L. Ron Hubbard, his heirs, beneficiaries, Estate and its executor; Author's Family Trust, its beneficiaries and its trustee; and Mary Sue Hubbard, (all hereinafter collectively referred to as the

Ex. 1.

19.

A.



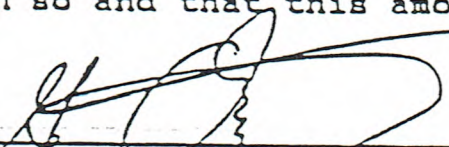
"Releasees"). The parties to this Agreement hereby agree as follows:

2. It is understood that this settlement is a compromise of doubtful and disputed claims, and that any payment is not to be construed, and is not intended, as an admission of liability on the part of any party to this Agreement, specifically, the Releasees, by whom liability has been and continues to be expressly denied. In executing this settlement Agreement, Plaintiff acknowledges that he has released the organizations, individuals and entities listed in the above paragraph, in addition to those defendants actually named in the above lawsuit, because among other reasons, they are third party beneficiaries of this Agreement.

3. Plaintiff has received payment of a certain monetary sum which is a portion of a total sum of money paid to his attorney, Michael J. Flynn. The total sum paid to Mr. Flynn is to settle all of the claims of Mr. Flynn's clients. Plaintiff's portion of said sum has been mutually agreed upon by Plaintiff and Michael J. Flynn. Plaintiff's signature below this paragraph acknowledges that Plaintiff is completely satisfied with the monetary consideration negotiated with and received by Michael J. Flynn. Plaintiff acknowledges that there has been a block settlement between Plaintiff's attorney, Michael J. Flynn, and the Church of Scientology and Churches and entities related to the Church of Scientology, concerning all of Mr. Flynn's clients who were in litigation with any Church of Scientology or related entity. Plaintiff has received a portion of this block

A handwritten signature in dark ink, appearing to be 'JA', is written over a horizontal line at the bottom right of the page.

amount, the receipt of which he hereby acknowledges. Plaintiff understands that this amount is only a portion of the block settlement amount. The exact settlement sum received by Plaintiff is known only to Plaintiff and his attorney, Michael J. Flynn, and it is their wish that this remain so and that this amount remain confidential.



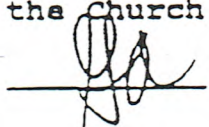
Signature line for Gerald Armstrong

4. For and in consideration of the above described consideration, the mutual covenants, conditions and release contained herein, Plaintiff does hereby release, acquit and forever discharge, for himself, his heirs, successors, executors, administrators and assigns, the Releasees, including Church of Scientology of California, Church of Scientology International, Religious Technology Center, all Scientology and Scientology affiliated organizations and entities, Author Services, Inc. (and for each organization or entity, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel); L. Ron Hubbard, his heirs, beneficiaries, Estate and its executor; Author's Family Trust, its beneficiaries and trustee; and Mary Sue Hubbard, and each of them, of and from any and all claims, including, but not limited to, any claims or causes of action entitled Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153 and all demands, damages, actions and causes of actions of every kind and nature, known or unknown,

for or because of any act or omission allegedly done by the Releasees, from the beginning of time to and including the date hereof. Therefore, Plaintiff does hereby authorize and direct his counsel to dismiss with prejudice his claims now pending in the above referenced action. The parties hereto will execute and cause to be filed a joint stipulation of dismissal in the form of the one attached hereto as Exhibit "A".

A. It is expressly understood by Plaintiff that this release and all of the terms thereof do not apply to the action brought by the Church of Scientology against Plaintiff for Conversion, Fraud and other causes of action, which action has already gone to trial and is presently pending before the Second District, Third Division of the California Appellate Court (Appeal No. B005912). The disposition of those claims are controlled by the provisions of the following paragraph hereinafter.

B. As of the date this settlement Agreement is executed, there is currently an appeal pending before the California Court of Appeal, Second Appellate District, Division 3, arising out of the above referenced action delineated as Appeal No. B005912. It is understood that this appeal arises out of the Church of Scientology's complaint against Plaintiff which is not settled herein. This appeal shall be maintained notwithstanding this Agreement. Plaintiff agrees to waive any rights he may have to take any further appeals from any decision eventually reached by the Court of Appeal or any rights he may have to oppose (by responding brief or any other means) any further appeals taken by the Church of



Scientology of California. The Church of Scientology of California shall have the right to file any further appeals it deems necessary.

5. For and in consideration of the mutual covenants, conditions and release contained herein, and Plaintiff dismissing with prejudice the action Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153, the Church of Scientology of California does hereby release, acquit and forever discharge for itself, successors and assigns, Gerald Armstrong, his agents, representatives, heirs, successors, assigns, legal counsel and estate and each of them, of and from any and all claims, causes of action, demands, damages and actions of every kind and nature, known or unknown, for or because of any act or omission allegedly done by Gerald Armstrong from the beginning of time to and including the date hereof.

6. In executing this Agreement, the parties hereto, and each of them, agree to and do hereby waive and relinquish all rights and benefits afforded under the provisions of Section 1542 of the Civil Code of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

7. Further, the undersigned hereby agree to the following:

A. The liability for all claims is expressly denied by the parties herein released, and this final compromise and

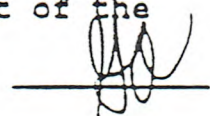
settlement thereof shall never be treated as an admission of liability or responsibility at any time for any purpose.

B. Plaintiff has been fully advised and understands that the alleged injuries sustained by him are of such character that the full extent and type of injuries may not be known at the date hereof, and it is further understood that said alleged injuries, whether known or unknown at the date hereof, might possibly become progressively worse and that as a result, further damages may be sustained by Plaintiff; nevertheless, Plaintiff desires by this document to forever and fully release the Releasees. Plaintiff understands that by the execution of this release no further claims arising out of his experience with, or actions by, the Releasees, from the beginning of time to and including the date hereof, which may now exist or which may exist in the future may ever be asserted by him or on his behalf, against the Releasees.

C. Plaintiff agrees to assume responsibility for the payment of any attorney fee, lien or liens, imposed against him past, present, or future, known or unknown, by any person, firm, corporation or governmental entity or agency as a result of, or growing out of any of the matters referred to in this release. Plaintiff further agrees to hold harmless the parties herein released, and each of them, of and from any liability arising therefrom.

D. Plaintiff agrees never to create or publish or attempt to publish, and/or assist another to create for publication by means of magazine, article, book or other

similar form, any writing or to broadcast or to assist another to create, write, film or video tape or audio tape any show, program or movie, or to grant interviews or discuss with others, concerning their experiences with the Church of Scientology, or concerning their personal or indirectly acquired knowledge or information concerning the Church of Scientology, L. Ron Hubbard or any of the organizations, individuals and entities listed in Paragraph 1 above. Plaintiff further agrees that he will maintain strict confidentiality and silence with respect to his experiences with the Church of Scientology and any knowledge or information he may have concerning the Church of Scientology, L. Ron Hubbard, or any of the organizations, individuals and entities listed in Paragraph 1 above. Plaintiff expressly understands that the non-disclosure provisions of this subparagraph shall apply, inter alia, but not be limited, to the contents or substance of his complaint on file in the action referred to in Paragraph 1 hereinabove or any documents as defined in Appendix "A" to this Agreement, including but not limited to any tapes, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard, or any of the organizations, individuals, or entities listed in Paragraph 1 above. The attorneys for Plaintiff, subject to the ethical limitations restraining them as promulgated by the state or federal regulatory associations or agencies, agree not to disclose any of the terms and conditions of the settlement negotiations, amount of the



settlement, or statements made by either party during settlement conferences. Plaintiff agrees that if the terms of this paragraph are breached by him, that CSI and the other Releasees would be entitled to liquidated damages in the amount of \$50,000 for each such breach. All monies received to induce or in payment for a breach of this Agreement, or any part thereof, shall be held in a constructive trust pending the outcome of any litigation over said breach. The amount of liquidated damages herein is an estimate of the damages that each party would suffer in the event this Agreement is breached. The reasonableness of the amount of such damages are hereto acknowledged by Plaintiff.

E. With exception to the items specified in Paragraph 7(L), Plaintiff agrees to return to the Church of Scientology International at the time of the consummation of this Agreement, all materials in his possession, custody or control (or within the possession, custody or control of his attorney, as well as third parties who are in possession of the described documents), of any nature, including originals and all copies or summaries of documents defined in Appendix "A" to this Agreement, including but not limited to any tapes, computer disks, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard or any of the organizations, individuals or entities listed in Paragraph 1 above, all evidence of any nature, including evidence obtained from the named defendants through discovery, acquired for the purposes of this lawsuit or any lawsuit, or acquired for any other purpose

concerning any Church of Scientology, any financial or administrative materials concerning any Church of Scientology, and any materials relating personally to L. Ron Hubbard, his family, or his estate. In addition to the documents and other items to be returned to the Church of Scientology International listed above and in Appendix "A", Plaintiff agrees to return the following:

(a) All originals and copies of the manuscript for the work "Excalibur" written by L. Ron Hubbard;

(b) All originals and copies of documents commonly known as the "Affirmations" written by L. Ron Hubbard; and

(c) All documents and other items surrendered to the Court by Plaintiff and his attorneys pursuant to Judge Cole's orders of August 24, 1982 and September 4, 1982 and all documents and other items taken by the Plaintiff from either the Church of Scientology or Omar Garrison. This includes all documents and items entered into evidence or marked for identification in Church of Scientology of California v. Gerald Armstrong, Case No. C 420 153. Plaintiff and his attorney will execute a Joint Stipulation or such other documents as are necessary to obtain these documents from the Court. In the event any documents or other items are no longer in the custody or control of the Los Angeles Superior Court, Plaintiff and his counsel will assist the Church in recovering these documents as quickly as possible, including but not limited to those tapes and other documents now in the possession of the United States District Court in the case of United States v. Zolin, Case No. CV

85-0440-HLH(TX), presently on appeal in the Ninth Circuit Court of Appeals. In the event any of these documents are currently lodged with the Court of Appeal, Plaintiff and his attorneys will cooperate in recovering those documents as soon as the Court of Appeal issues a decision on the pending appeal.

To the extent that Plaintiff does not possess or control documents within categories A-C above, Plaintiff recognizes his continuing duty to return to CSI any and all documents that fall within categories A-C above which do in the future come into his possession or control.

F. Plaintiff agrees that he will never again seek or obtain spiritual counselling or training or any other service from any Church of Scientology, Scientologist, Dianetics or Scientology auditor, Scientology minister, Mission of Scientology, Scientology organization or Scientology affiliated organization.

G. Plaintiff agrees that he will not voluntarily assist or cooperate with any person adverse to Scientology in any proceeding against any of the Scientology organizations, individuals, or entities listed in Paragraph 1 above. Plaintiff also agrees that he will not cooperate in any manner with any organizations aligned against Scientology.

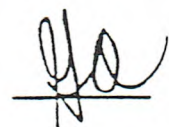
H. Plaintiff agrees not to testify or otherwise participate in any other judicial, administrative or legislative proceeding adverse to Scientology or any of the Scientology Churches, individuals or entities listed in Paragraph 1 above unless compelled to do so by lawful subpoena or other lawful process. Plaintiff shall not make

himself amenable to service of any such subpoena in a manner which invalidates the intent of this provision. Unless required to do so by such subpoena, Plaintiff agrees not to discuss this litigation or his experiences with and knowledge of the Church with anyone other than members of his immediate family. As provided hereinafter in Paragraph 18(d), the contents of this Agreement may not be disclosed.

I. The parties hereto agree that in the event of any future litigation between Plaintiff and any of the organizations, individuals or entities listed in Paragraph 1 above, that any past action or activity, either alleged in this lawsuit or activity similar in fact to the evidence that was developed during the course of this lawsuit, will not be used by either party against the other in any future litigation. In other words, the "slate" is wiped clean concerning past actions by any party.

J. It is expressly understood and agreed by Plaintiff that any dispute between Plaintiff and his counsel as to the proper division of the sum paid to Plaintiff by his attorney of record is between Plaintiff and his attorney of record and shall in no way affect the validity of this Mutual Release of All Claims and Settlement Agreement.

K. Plaintiff hereby acknowledges and affirms that he is not under the influence of any drug, narcotic, alcohol or other mind-influencing substance, condition or ailment such that his ability to fully understand the meaning of this Agreement and the significance thereof is adversely affected.



L. Notwithstanding the provisions of Paragraph 7(E) above, Plaintiff shall be entitled to retain any artwork created by him which concerns or relates to the religion of Scientology, L. Ron Hubbard or any of the organizations, individuals or entities listed in Paragraph 1 above provided that such artwork never be disclosed either directly or indirectly, to anyone. In the event of a disclosure in breach of this Paragraph 7(L), Plaintiff shall be subject to the liquidated damages and constructive trust provisions of Paragraph 7(D) for each such breach.

8. Plaintiff further agrees that he waives and relinquishes any right or claim arising out of the conduct of any defendant in this case to date, including any of the organizations, individuals or entities as set forth in Paragraph 1 above, and the named defendants waive and relinquish any right or claim arising out of the conduct of Plaintiff to date.

9. This Mutual Release of All Claims and Settlement Agreement contains the entire agreement between the parties hereto, and the terms of this Agreement are contractual and not a mere recital. This Agreement may be amended only by a written instrument executed by Plaintiff and CSI. The parties hereto have carefully read and understand the contents of this Mutual Release of All Claims and Settlement Agreement and sign the same of their own free will, and it is the intention of the parties to be legally bound hereby. No other prior or contemporaneous agreements, oral or written, respecting such matters, which are not specifically

incorporated herein shall be deemed to in any way exist or bind any of the parties hereto.

10. Plaintiff agrees that he will not assist or advise anyone, including individuals, partnerships, associations, corporations, or governmental agencies contemplating any claim or engaged in litigation or involved in or contemplating any activity adverse to the interests of any entity or class of persons listed above in Paragraph 1 of this Agreement.

11. The parties to this Agreement acknowledge the following:

A. That all parties enter into this Agreement freely, voluntarily, knowingly and willingly, without any threats, intimidation or pressure of any kind whatsoever and voluntarily execute this Agreement of their own free will;

B. That all parties have conducted sufficient deliberation and investigation, either personally or through other sources of their own choosing, and have obtained advice of counsel regarding the terms and conditions set forth herein, so that they may intelligently exercise their own judgment in deciding whether or not to execute this Agreement; and

C. That all parties have carefully read this Agreement and understand the contents thereof and that each reference in this Agreement to any party includes successors, assigns, principals, agents and employees thereof.

12. Each party shall bear its respective costs with respect to the negotiation and drafting of this Agreement and

all acts required by the terms hereof to be undertaken and performed by that party.

13. To the extent that this Agreement inures to the benefit of persons or entities not signatories hereto, this Agreement is hereby declared to be made for their respective benefits and uses.

14. The parties shall execute and deliver all documents and perform all further acts that may be reasonably necessary to effectuate the provisions of this Agreement.

15. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared this Agreement. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

16. In the event any provision hereof be unenforceable, such provision shall not affect the enforceability of any other provision hereof.

17. All references to the plural shall include the singular and all references to the singular shall include the plural. All references to gender shall include both the masculine and feminine.

18.(A) Each party warrants that they have received independent legal advice from their attorneys with respect to the advisability of making the settlement provided for herein and in executing this Agreement.

(B) The parties hereto (including any officer, agent, employee, representative or attorney of or for any party) acknowledge that they have not made any statement,

representation or promise to the other party regarding any fact material to this Agreement except as expressly set forth herein. Furthermore, except as expressly stated in this Agreement, the parties in executing this Agreement do not rely upon any statement, representation or promise by the other party (or of any officer, agent, employee, representative or attorney for the other party).

(C) The persons signing this Agreement have the full right and authority to enter into this Agreement on behalf of the parties for whom they are signing.

(D) The parties hereto and their respective attorneys each agree not to disclose the contents of this executed Agreement. Nothing herein shall be construed to prevent any party hereto or his respective attorney from stating that this civil action has been settled in its entirety.

(E) The parties further agree to forbear and refrain from doing any act or exercising any right, whether existing now or in the future, which act or exercise is inconsistent with this Agreement.

19. Plaintiff has been fully advised by his counsel as to the contents of this document and each provision hereof. Plaintiff hereby authorizes and directs his counsel to dismiss with prejudice his claims now pending in the action entitled Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153.

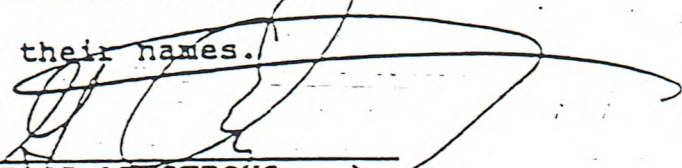
20. Notwithstanding the dismissal of the lawsuit pursuant to Paragraph 4 of this Agreement, the parties hereto agree that the Los Angeles Superior Court shall retain

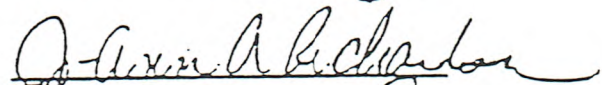
jurisdiction to enforce the terms of this Agreement. This Agreement may be enforced by any legal or equitable remedy, including but not limited to injunctive relief or declaratory judgment where appropriate. In the event any party to this Agreement institutes any action to preserve, to protect or to enforce any right or benefit created hereunder, the prevailing party in any such action shall be entitled to the costs of suit and reasonable attorney's fees.

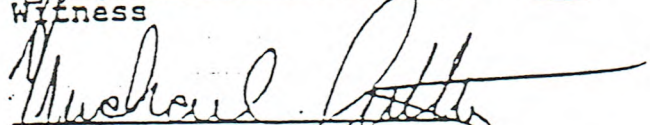
21. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be a duplicate original, but all of which, together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date opposite their names.

Dated: December 6, 1985

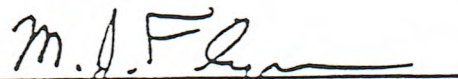

GERALD ARMSTRONG


Witness

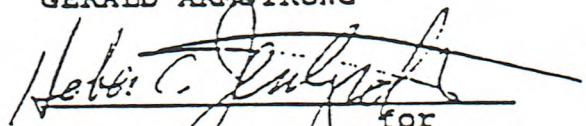

Witness

Dated: 12/6/86

APPROVED AS TO FORM AND CONTENT:


MICHAEL J. FLYNN
Attorney for
GERALD ARMSTRONG

Dated: December 11, 1986


for
CHURCH OF SCIENTOLOGY
INTERNATIONAL

FILED

JUN 22 1984
JUL 1, 1984

Rosie M. Hart
BY ROSIE M. HART, DEPUTY

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

CHURCH OF SCIENTOLOGY OF CALIFORNIA,

Plaintiff,

vs.

GERALD ARMSTRONG,

Defendant.

MARY SUE HUBBARD,

Intervenor.

No. C 420153

MEMORANDUM OF
INTENDED DECISION

In this matter heretofore taken under submission, the Court announces its intended decision as follows:

As to the tort causes of action, plaintiff, and plaintiff in intervention are to take nothing, and defendant is entitled to Judgment and costs.

As to the equitable actions, the court finds that neither plaintiff has clean hands, and that at least as of this time, are not entitled to the immediate return of any document or objects presently retained by the court clerk. All exhibits

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1 received in evidence or marked for identification, unless
2 specifically ordered sealed¹, are matters of public record and
3 shall be available for public inspection or use to the same
4 extent that any such exhibit would be available in any other
5 lawsuit. In other words they are to be treated henceforth no
6 differently than similar exhibits in other cases in Superior
7 Court. Furthermore, the "inventory list and description," of
8 materials turned over by Armstrong's attorneys to the court,
9 shall not be considered or deemed to be confidential, private,
10 or under seal.

11 All other documents or objects presently in the possession
12 of the clerk (not marked herein as court exhibits) shall be
13 retained by the clerk, subject to the same orders as are
14 presently in effect as to sealing and inspection, until such
15 time as trial court proceedings are concluded as to the severed
16 cross complaint. For the purposes of this Judgment, conclusion
17 will occur when any motion for a new trial has been denied, or
18 the time within such a motion must be brought has expired
19 without such a motion being made. At that time, all documents
20 neither received in evidence, nor marked for identification
21 only, shall be released by the clerk to plaintiff's
22 representatives. Notwithstanding this order, the parties may
23
24

25 1. Exhibits in evidence No. 500-40; JJJ; FKK; LLL; MMM;
26 NNN; OOO; PPP; QQQ; RRR; and 500-QQQQ.

27 Exhibits for identification only No. JJJJ; Series
28 500-DDDD, EEEE, FFFF, GGGG, HHHH, IIII, NNNN-1, OOOO, ZZZZ,
CCCC, GGGG, IIIII, KKKKK, LLLLL, OOOOO, PPPPP, QQQQQ, BBBBEE,
OOOOOO, BBBBEEB.

1 at any time by written stipulation filed with the clerk obtain
2 release of any or all such unused materials.

3 Defendant and his counsel are free to speak or communicate
4 upon any of Defendant Armstrong's recollections of his life as
5 a Scientologist or the contents of any exhibit received in
6 evidence or marked for identification and not specifically
7 ordered sealed. As to all documents, and other materials held
8 under seal by the clerk, counsel and the defendant shall remain
9 subject to the same injunctions as presently exist, at least
10 until the conclusion of the proceedings on the cross complaint.
11 However, in any other legal proceedings in which defense
12 counsel, or any of them, is of record, such counsel shall have
13 the right to discuss exhibits under seal, or their contents, if
14 such is reasonably necessary and incidental to the proper
15 representation of his or her client.

16 Further, if any court of competent jurisdiction orders
17 defendant or his attorney to testify concerning the fact of any
18 such exhibit, document, object, or its contents, such testimony
19 shall be given, and no violation of this order will occur.
20 Likewise, defendant and his counsel may discuss the contents of
21 any documents under seal or of any matters as to which this
22 court has found to be privileged as between the parties hereto,
23 with any duly constituted Governmental Law Enforcement Agency
24 or submit any exhibits or declarations thereto concerning such
25 document or materials, without violating any order of this
26 court.

27 ///

28 ///

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1 This court will retain jurisdiction to enforce, modify,
2 alter, or terminate any injunction included within the
3 Judgment.

4 Counsel for defendant is ordered to prepare, serve, and
5 file a Judgment on the Complaint and Complaint in Intervention,
6 and Statement of Decision if timely and properly requested,
7 consistent with the court's intended decision.

8
9 Discussion

10 The court has found the facts essentially as set forth in
11 defendant's trial brief, which as modified, is attached as an
12 appendix to this memorandum. In addition the court finds that
13 while working for L.R. Hubbard (hereinafter referred to as
14 LRH), the defendant also had an informal employer-employee
15 relationship with plaintiff Church, but had permission and
16 authority from plaintiffs and LRH to provide Omar Garrison with
17 every document or object that was made available to Mr.
18 Garrison, and further, had permission from Omar Garrison to
19 take and deliver to his attorneys the documents and materials
20 which were subsequently delivered to them and thenceforth into
21 the custody of the County Clerk.

22 Plaintiff Church has made out a prima facie case of
23 conversion (as bailee of the materials), breach of fiduciary
24 duty, and breach of confidence (as the former employer who
25 provided confidential materials to its then employee for
26 certain specific purposes, which the employee later used for
27 other purposes to plaintiff's detriment). Plaintiff Mary Jane
28 Hubbard has likewise made out a prima facie case of conversion

1 and invasion of privacy (misuse by a person of private matters
2 entrusted to him for certain specific purposes only).

3 While defendant has asserted various theories of defense,
4 the basic thrust of his testimony is that he did what he did,
5 because he believed that his life, physical and mental well
6 being, as well as that of his wife were threatened because the
7 organization was aware of what he knew about the life of LRH,
8 the secret machinations and financial activities of the Church,
9 and his dedication to the truth. He believed that the only way
10 he could defend himself, physically as well as from harassing
11 lawsuits, was to take from Omar Garrison those materials which
12 would support and corroborate everything that he had been
13 saying within the Church about LRH and the Church, or refute
14 the allegations made against him in the April 22 Suppressive
15 Person Declare. He believed that the only way he could be sure
16 that the documents would remain secure for his future use was
17 to send them to his attorneys, and that to protect himself, he
18 had to go public so as to minimize the risk that LRH, the
19 Church, or any of their agents would do him physical harm.

20 This conduct if reasonably believed in by defendant and
21 engaged in by him in good faith, finds support as a defense to
22 the plaintiff's charges in the Restatements of Agency, Torts,
23 and case law.

24 Restatement of Agency, Second, provides:

25 "Section 395f: An agent is privileged to reveal
26 information confidentially acquired by him in the course
27 of his agency in the protection of a superior interest of
28 himself or a third person.

1 "Section 418: An agent is privileged to protect
2 interests of his own which are superior to those of the
3 principal, even though he does so at the expense of the
4 principal's interest or in disobedience to his orders."

5 Restatement of torts, Second, section 271:

6 "One is privileged to commit an act which would
7 otherwise be a trespass to or a conversion of a chattel in
8 the possession of another, for the purpose of defending
9 himself or a third person against the other, under the
10 same conditions which would afford a privilege to inflict
11 harmful or offensive contact upon the other for the same
12 purpose."

13 The Restatement of Torts, Second, section 652a, as well as
14 case law, make it clear that not all invasions of privacy are
15 unlawful or tortious. It is only when the invasion is
16 unreasonable that it becomes actionable. Hence, the trier of
17 fact must engage in a balancing test, weighing the nature and
18 extent of the invasion, as against the purported justification
19 therefore to determine whether in a given case, the particular
20 invasion or intrusion was unreasonable.

21 In addition the defendant has asserted as a defense the
22 principal involved in the case of Willig v. Gold, 75
23 Cal.App.2d, 809, 814, which holds that an agent has a right or
24 privilege to disclose his principal's dishonest acts to the
25 party prejudicially affected by them.

26 Plaintiff Church has asserted and obviously has certain
27 rights arising out of the First Amendment. Thus, the court
28 cannot, and has not, inquired into or attempted to evaluate the

1 merits, accuracy, or truthfulness of Scientology or any of its
2 precepts as a religion. First Amendment rights, however,
3 cannot be utilized by the Church or its members, as a sword to
4 preclude the defendant, whom the Church is suing, from
5 defending himself. Therefore, the actual practices of the
6 Church or its members, as it relates to the reasonableness of
7 the defendant's conduct and his state of mind are relevant,
8 admissible, and have been considered by the court.

9 As indicated by its factual findings, the court finds the
10 testimony of Gerald and Jocelyn Armstrong, Laurel Sullivan,
11 Nancy Dincalcis, Edward Walters, Omar Garrison, Kima Douglas,
12 and Howard Schomer to be credible, extremely persuasive, and
13 the defense of privilege or justification established and
14 corroborated by this evidence. Obviously, there are some
15 discrepancies or variations in recollections, but these are the
16 normal problems which arise from lapse of time, or from
17 different people viewing matters or events from different
18 perspectives. In all critical and important matters, their
19 testimony was precise, accurate, and rang true. The picture
20 painted by these former dedicated Scientologists, all of whom
21 were intimately involved with LRH, or Mary Jane Hubbard, or of
22 the Scientology Organization, is on the one hand pathetic, and
23 on the other, outrageous. Each of these persons literally gave
24 years of his or her respective life in support of a man, LRH,
25 and his ideas. Each has manifested a waste and loss or
26 frustration which is incapable of description. Each has broken
27 with the movement for a variety of reasons, but at the same
28 time, each is, still bound by the knowledge that the Church has

1 in its posse. On his or her most inner thoughts and
2 confessions, all recorded in "pre-clear (P.C.) folders" or
3 other security files of the organization, and that the Church
4 or its minions is fully capable of intimidation or other
5 physical or psychological abuse if it suits their ends. The
6 record is replete with evidence of such abuse.

7 In 1970 a police agency of the French Government conducted
8 an investigation into Scientology and concluded, "this sect,
9 under the pretext of 'freeing humans' is nothing in reality but
10 a vast enterprise to extract the maximum amount of money from
11 its adepts by (use of) pseudo-scientific theories, by (use of)
12 'auditions' and 'stage settings' (lit. to create a theatrical
13 scene') pushed to extremes (a machine to detect lies, its own
14 particular phraseology . . .), to estrange adepts from their
15 families and to exercise a kind of blackmail against persons
16 who do not wish to continue with this sect."² From the
17 evidence presented to this court in 1984, at the very least,
18 similar conclusions can be drawn. In addition to violating and
19 abusing its own members civil rights, the organization over the
20 years with its "Fair Game" doctrine has harassed and abused
21 those persons not in the Church whom it perceives as enemies.
22 The organization clearly is schizophrenic and paranoid, and
23 this bizarre combination seems to be a reflection of its
24 founder LRH. The evidence portrays a man who has been
25 virtually a pathological liar when it comes to his history,
26
27

28 2. Exhibit 500-HHHHH.

1 background, . . . achievements. The writ. gs and documents in
2 evidence additionally reflect his egoism, greed, avarice, lust
3 for power, and vindictiveness and aggressiveness against
4 persons perceived by him to be disloyal or hostile. At the
5 same time it appears that he is charismatic and highly capable
6 of motivating, organizing, controlling, manipulating, and
7 inspiring his adherents. He has been referred to during the
8 trial as a "genius," a "revered person," a man who was "viewed
9 by his followers in awe." Obviously, he is and has been a very
10 complex person, and that complexity is further reflected in his
11 alter ego, the Church of Scientology. Notwithstanding
12 protestations to the contrary, this court is satisfied that LRF
13 runs the Church in all ways through the Sea Organization, his
14 role of Commodore, and the Commodore's Messengers.³ He has, of
15 course, chosen to go into "seclusion," but he maintains contact
16 and control through the top messengers. Seclusion has its
17 light and dark side too. It adds to his mystique, and yet
18 shields him from accountability and subpoena or service of
19 summons.

20 LRF's wife, Mary Sue Hubbard is also a plaintiff herein.
21 On the one hand she certainly appeared to be a pathetic
22 individual. She was forced from her post as Controller,
23 convicted and imprisoned as a felon, and deserted by her
24 husband. On the other hand her credibility leaves much to be
25 desired. She struck the familiar pose of not seeing, hearing,
26

27 3. See Exhibit K: Flag Order 3729 - 15 September 1978
28 "Commodore's Messengers."

1 or knowing a evil. Yet she was the h. . of the Guardian
2 Office for years and among other things, authored the infamous
3 order "GO 121669"⁴ which directed culling of supposedly
4 confidential P.C. files/folders for purposes of internal
5 security. In her testimony she expressed the feeling that
6 defendant by delivering the documents, writings, letters to his
7 attorneys, subjected her to mental rape. The evidence is clear
8 and the court finds that defendant and Omar Garrison had
9 permission to utilize these documents for the purpose of
10 Garrison's proposed biography. The only other persons who were
11 shown any of the documents were defendant's attorneys, the
12 Douglasses, the Dincalcis, and apparently some documents
13 specifically affecting LRH's son "Nibs," were shown to "Nibs."
14 The Douglasses and Dincalcises were disaffected Scientologists
15 who had a concern for their own safety and mental security, and
16 were much in the same situation as defendant. They had not
17 been declared as suppressive, but Scientology had their P.C.
18 folders, as well as other confessions, and they were extremely
19 apprehensive. They did not see very many of the documents, and
20 it is not entirely clear which they saw. At any rate Mary Sue
21 Hubbard did not appear to be so much distressed by this fact,
22 as by the fact that Armstrong had given the documents to
23 Michael Flynn, whom the Church considered its foremost

24
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28

4. Exhibit AAA.

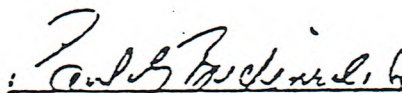
1 lawyer-enemy." However, just as the plaintiffs have First
2 Amendment rights, the defendant has a Constitutional right to
3 an attorney of his own choosing. In legal contemplation the
4 fact that defendant selected Mr. Flynn rather than some other
5 lawyer cannot by itself be tortious. In determining whether
6 the defendant unreasonably invaded Mrs. Hubbard's privacy, the
7 court is satisfied the invasion was slight, and the reasons and
8 justification for defendant's conduct manifest. Defendant was
9 told by Scientology to get an attorney. He was declared an
10 enemy by the Church. He believed, reasonably, that he was
11 subject to "fair game." The only way he could defend himself,
12 his integrity, and his wife was to take that which was
13 available to him and place it in a safe harbor, to wit, his
14 lawyer's custody. He may have engaged in overkill, in the
15 sense that he took voluminous materials, some of which appear
16 only marginally relevant to his defense. But he was not a
17 lawyer and cannot be held to that precise standard of judgment.
18 Further, at the time that he was accumulating the material, he
19 was terrified and undergoing severe emotional turmoil. The
20 court is satisfied that he did not unreasonably intrude upon
21 Mrs. Hubbard's privacy under the circumstances by in effect
22 simply making his knowledge that of his attorneys. It is, of
23 course, rather ironic that the person who authorized G.O. order
24 121669 should complain about an invasion of privacy. The

25
26 5. "No, I think my emotional distress and upset is the
27 fact that someone took papers and materials without my
28 authorization and then gave them to your Mr. Flynn."
Reporter's Transcript, p. 1006.

1 practice of cutting supposedly confidential "P.C. folders or
2 files" to obtain information for purposes of intimidation
3 and/or harassment is repugnant and outrageous. The Guardian's
4 Office, which plaintiff headed, was no respecter of anyone's
5 civil rights, particularly that of privacy. Plaintiff Mary Sue
6 Hubbard's cause of action for conversion must fail for the same
7 reason as plaintiff Church. The documents were all together in
8 Omar Garrison's possession. There was no rational way the
9 defendant could make any distinction.

10 Insofar as the return of documents is concerned, matters
11 which are still under seal may have evidentiary value in the
12 trial of the cross complaint or in other third party
13 litigation. By the time that proceedings on the cross
14 complaint are concluded, the court's present feeling is that
15 those documents or objects not used by that time should be
16 returned to plaintiff. However, the court will reserve
17 jurisdiction to reconsider that should circumstances warrant.

18 Dated: June 20, 1984

19
20 
21 PAUL G. BRECKENRIDGE, JR.
22 Judge of the Superior Court

23
24 THE DOCUMENT TO WHICH THIS CERTIFICATE IS AT-
25 TACHED IS A FULL TRUE AND CORRECT COPY OF THE
26 ORIGINAL ON FILE AND OF RECORD IN MY OFFICE.

27
28 ATTEST SEP 11 1984 19
JOHN J. CORCORAN, County Clerk and Clerk of the
Superior Court of California,
County of Los Angeles.
BY S. Hurst DEPUTY

S. HURST

1
2 Appendix

3 Defendant Armstrong was involved with Scientology from
4 1969 through 1981, a period spanning 12 years. During that
5 time he was a dedicated and devoted member who revered the
6 founder, L. Ron Hubbard. There was little that Defendant
7 Armstrong would not do for Hubbard or the Organization. He
8 gave up formal education, one-third of his life, money and
9 anything he could give in order to further the goals of
10 Scientology, goals he believed were based upon the truth,
11 honesty, integrity of Hubbard and the Organization.

12 From 1971 through 1981, Defendant Armstrong was a member
13 of the Sea Organization, a group of highly trained
14 scientologists who were considered the upper echelon of the
15 Scientology organization. During those years he was placed in
16 various locations, but it was never made clear to him exactly
17 which Scientology corporation he was working for. Defendant
18 Armstrong understood that, ultimately, he was working for L.
19 Ron Hubbard, who controlled all Scientology finances,
20 personnel, and operations while Defendant was in the Sea
21 Organization.

22 Beginning in 1979 Defendant Armstrong resided at Gilman
23 Hot Springs, California, in Hubbard's "Household Unit." The
24 Household Unit took care of the personal wishes and needs of
25 Hubbard at many levels. Defendant Armstrong acted as the L.
26 Ron Hubbard Renovations In-Charge and was responsible for
27 renovations, decoration, and maintenance of Hubbard's home and
28 office at Gilman Hot Springs.

///

134

1 In January of 1980 there was an announcement of a possible
2 raid to be made by the FBI or other law enforcement agencies of
3 the property. Everyone on the property was required by
4 Hubbard's representatives, the Commodore's Messengers, to go
5 through all documents located on the property and "vet" or
6 destroy anything which showed that Hubbard controlled
7 Scientology organizations, retained financial control, or was
8 issuing orders to people at Gilman Hot Springs.

9 A commercial paper shredder was rented and operated day
10 and night for two weeks to destroy hundreds of thousands of
11 pages of documents.

12 During the period of shredding, Brenda Black, the
13 individual responsible for storage of Hubbard's personal
14 belongings at Gilman Hot Springs, came to Defendant Armstrong
15 with a box of documents and asked whether they were to be
16 shredded. Defendant Armstrong reviewed the documents and found
17 that they consisted of a wide variety of documents including
18 Hubbard's personal papers, diaries, and other writings from a
19 time before he started Dianetics in 1950, together with
20 documents belonging to third persons which had apparently been
21 stolen by Hubbard or his agents. Defendant Armstrong took the
22 documents from Ms. Black and placed them in a safe location on
23 the property. He then searched for and located another twenty
24 or more boxes containing similar materials, which were poorly
25 maintained.

26 On January 8, 1980, Defendant Armstrong wrote a petition
27 to Hubbard requesting his permission to perform the research
28 for a biography to be done about his life. The petition states

1 that Defendant Armstrong had located the subject materials and
2 lists of a number of activities he wished to perform in
3 connection with the biography research.

4 Hubbard approved the petition, and Defendant Armstrong
5 became the L. Ron Hubbard Personal Relations Officer Researcher
6 (PPRO Res). Defendant claims that this petition and its
7 approval forms the basis for a contract between Defendant and
8 Hubbard. Defendant Armstrong's supervisor was then Laurel
9 Sullivan, L. Ron Hubbard's Personal Public Relations Officer.

10 During the first part of 1980, Defendant Armstrong moved
11 all of the L. Ron Hubbard Archives materials he had located at
12 Gilman Hot Springs to an office in the Church of Scientology
13 Cedars Complex in Los Angeles. These materials comprised
14 approximately six file cabinets. Defendant Armstrong had
15 located himself in the Cedars Complex, because he was also
16 involved in "Mission Corporate Category Sort-Out," a mission to
17 work out legal strategy. Defendant Armstrong was involved with
18 this mission until June of 1980.

19 It was also during this early part of 1980 that Hubbard
20 left the location in Gilman Hot Springs, California, and went
21 into hiding. Although Defendant Armstrong was advised by
22 Laurel Sullivan that no one could communicate with Hubbard,
23 Defendant Armstrong knew that the ability for communication
24 existed, because he had forwarded materials to Hubbard at his
25 request in mid-1980.

26 Because of this purported inability to communicate with
27 Hubbard, Defendant Armstrong's request to purchase biographical
28 materials of Hubbard from people who offered them for sale went

1 to the Commoc. 's Messenger Organization, the personal
2 representatives of Hubbard.

3 In June of 1980 Defendant Armstrong became involved in the
4 selection of a writer for the Hubbard biography. Defendant
5 Armstrong learned that Hubbard had approved of a biography
6 proposal prepared by Omar Garrison, a writer who was not a
7 member of Scientology. Defendant Armstrong had meetings with
8 Mr. Garrison regarding the writing of the biography and what
9 documentation and assistance would be made available to him.
10 As understood by Mr. Garrison, Defendant Armstrong represented
11 Hubbard in these discussions.

12 Mr. Garrison was advised that the research material he
13 would have at his disposal were Hubbard's personal archives.
14 Mr. Garrison would only undertake a writing of the biography if
15 the materials provided to him were from Hubbard's personal
16 archives, and only if his manuscript was subject to the
17 approval of Hubbard himself.

18 In October of 1980 Mr. Garrison came to Los Angeles and
19 was toured through the Hubbard archives materials that
20 Defendant Armstrong had assembled up to that time. This was an
21 important "selling point" in obtaining Mr. Garrison's agreement
22 to write the biography. On October 30, 1980, an agreement was
23 entered into between Ralston-Pilot, ncv. F/S/O Omar V.
24 Garrison, and AOSH DK Publications of Copenhagen, Denmark, for
25 the writing of a biography of Hubbard.

26 Paragraph 10B of the agreement states that:

27 "Publisher shall use its best efforts to provide
28 Author with an office, an officer assistant and/or

1 research assistant, office supplies and any needed
2 archival and interview materials in connection with
3 the writing of the Work."

4 The "research assistant" provided to Mr. Garrison was
5 Defendant Armstrong.

6 During 1980 Defendant Armstrong exchanged correspondence
7 with Intervenor regarding the biography project. Following his
8 approval by Hubbard as biography researcher, Defendant
9 Armstrong wrote to Intervenor on February 5, 1980, advising her
10 of the scope of the project. In the letter Defendant stated
11 that he had found documents which included Hubbard's diary from
12 his Orient trip, poems, essays from his youth, and several
13 personal letters, as well as other things.

14 By letter of February 11, 1980, Intervenor responded to
15 Defendant, acknowledging that he would be carrying out the
16 duties of Biography Researcher.

17 On October 14, 1980, Defendant Armstrong again wrote to
18 Intervenor, updating her on "Archives materials" and proposing
19 certain guidelines for the handling of those materials.

20 It was Intervenor who, in early 1981, ordered certain
21 biographical materials from "Controller Archives" to be
22 delivered to Defendant Armstrong. These materials consisted of
23 several letters written by Hubbard in the 1920's and 1930's,
24 Hubbard's Boy Scout books and materials, several old Hubbard
25 family photographs, a diary kept by Hubbard in his youth, and
26 several other items.

27 Defendant Armstrong received these materials upon the
28 order of Intervenor, following his letter of October 15, 1980,

1 to her in which Defendant stated, at page 7, that there were
2 materials in the "Controller Archives" that would be helpful to
3 him in the biography research.

4 After these materials were delivered to Defendant
5 Armstrong, Intervenor was removed from her Scientology position
6 of Controller in 1981, presumably because of her conviction for
7 the felony of obstruction of justice in connection with the
8 theft of Scientology documents from various government offices
9 and agencies in Washington, D.C.

10 During the time Defendant Armstrong worked on the
11 biography project and acted as Hubbard Archivist, there was
12 never any mention that he was not to be dealing with Hubbard's
13 personal documents or that the delivery of those documents to
14 Mr. Garrison was not authorized.

15 For the first year or more of the Hubbard biography and
16 archive project, funding came from Hubbard's personal staff
17 unit at Gilman Hot Springs, California. In early 1981,
18 however, Defendant Armstrong's supervisor, Laurel Sullivan,
19 ordered him to request that funding come from what was known as
20 SEA Org Reserves. Approval for this change in funding came
21 from the SEA Org Reserves Chief and Watch Dog Committee, the
22 top Commodores Messenger Organization unit, who were Hubbard's
23 personal representatives.

24 From November of 1980 through 1981, Defendant Armstrong
25 worked closely with Mr. Garrison, assembling Hubbard's archives
26 into logical categories, copying them and arranging the copies
27 of the Archives materials into bound volumes. Defendant
28 Armstrong made two copies of almost all documents copied for

1 Mr. Garrison - one for Mr. Garrison and the other to remain in
2 Hubbard Archives for reference or recopying. Defendant
3 Armstrong created approximately 400 binders of documents. The
4 vast majority of the documents for Mr. Garrison came from
5 Hubbard's personal Archives, of which Defendant Armstrong was
6 in charge. Materials which came from other Archives, such as
7 the Controller Archives, were provided to Defendant Armstrong
8 by Scientology staff members who had these documents in their
9 care.

10 It was not until late 1981 that Plaintiff was to provide a
11 person to assist on the biography project by providing Mr.
12 Garrison with "Guardian Office" materials, otherwise described
13 as technical materials relating to the operation of
14 Scientology. The individual appointed for this task was Vaughn
15 Young. Controller Archives and Guardian Office Archives had no
16 connection to the Hubbard Archives, which Defendant Armstrong
17 created and maintained as Hubbard's personal materials.

18 In addition to the assemblage of Hubbard's Archives,
19 Defendant Armstrong worked continually on researching and
20 assembling materials concerning Hubbard by interviewing dozens
21 of individuals, including Hubbard's living aunt, uncle, and
22 four cousins. Defendant Armstrong did a geneology study of
23 Hubbard's family and collected, assembled, and read hundreds of
24 thousands of pages of documentation in Hubbard's Archives.

25 During 1980 Defendant Armstrong remained convinced of
26 Hubbard's honesty and integrity and believed that the
27 representations he had made about himself in various
28 publications were truthful. Defendant Armstrong was devoted to

1 Hubbard and was convinced that any information which he
2 discovered to be unflattering of Hubbard or contradictory to
3 what Hubbard has said about himself, was a lie being spread by
4 Hubbard's enemies. Even when Defendant Armstrong located
5 documents in Hubbard's Archives which indicated that
6 representations made by Hubbard and the Organization were
7 untrue, Defendant Armstrong would find some means to "explain
8 away" the contradictory information.

9 Slowly, however, throughout 1981, Defendant Armstrong
10 began to see that Hubbard and the Organization had continuously
11 lied about Hubbard's past, his credentials, and his
12 accomplishments. Defendant Armstrong believed, in good faith,
13 that the only means by which Scientology could succeed in what
14 Defendant Armstrong believed was its goal of creating an
15 ethical environment on earth, and the only way Hubbard could be
16 free of his critics, would be for Hubbard and the Organization
17 to discontinue the lies about Hubbard's past, his credentials,
18 and accomplishments. Defendant Armstrong resisted any public
19 relations piece or announcement about Hubbard which the L. Ron
20 Hubbard Public Relations Bureau proposed for publication which
21 was not factual. Defendant Armstrong attempted to change and
22 make accurate the various "about the author" sections in
23 Scientology books, and further, Defendant rewrote or critiqued
24 several of these and other publications for the L. Ron Hubbard
25 Public Relations Bureau and various Scientology Organizations.
26 Defendant Armstrong believed and desired that the Scientology
27 Organization and its leader discontinue the perpetration of the

28 III -

1 massive fraud upon the innocent followers of Scientology, and
2 the public at large.

3 Because of Defendant Armstrong's actions, in late November
4 of 1981, Defendant was requested to come to Gilman Hot Springs
5 by Commodore Messenger Organization Executive, Cirrus Slevin.
6 Defendant Armstrong was ordered to undergo a "security check,"
7 which involved Defendant Armstrong's interrogation while
8 connected to a crude Scientology lie detector machine called an
9 E-meter.

10 The Organization wished to determine what materials
11 Defendant Armstrong had provided to Omar Garrison. Defendant
12 Armstrong was struck by the realization that the Organization
13 would not work with him to correct the numerous fraudulent
14 representations made to followers of Scientology and the public
15 about L. Ron Hubbard and the Organization itself. Defendant
16 Armstrong, who, for twelve years of his life, had placed his
17 complete and full trust in Mr. and Mrs. Hubbard and the
18 Scientology Organization, saw that his trust had no meaning and
19 that the massive frauds perpetrated about Hubbard's past,
20 credentials, and accomplishments would continue to be spread.

21 Less than three weeks before Defendant Armstrong left
22 Scientology, he wrote a letter to Cirrus Slevin on November 25,
23 1981, in which it is clear that his intentions in airing the
24 inaccuracies, falsehoods, and frauds regarding Hubbard were
25 done in good faith. In his letter he stated as follows:

26 "If we present inaccuracies, hyperbole
27 or downright lies as fact or truth, it
28 doesn't matter what slant we give them, if

1 talking here about biographical or
2 non-technical writings. This only leads,
3 should any of his statements turn out to be
4 inaccurate, to a make-wrong of him, and
5 consequently his technology.

6 "That's what I'm trying to remedy and
7 prevent.

8
9 "To say that LRH is not capable of
10 hype, errors or lies is certainly not
11 granting him much of a beingness. To
12 continue on with the line that he has never
13 erred nor lied is counterproductive. It is
14 an unreal attitude and too far removed from
15 both the reality and people in general that
16 it would widen public unacceptance.

17
18 "That is why I feel the
19 falsities must be corrected, and why we
20 must verify our facts and present them in a
21 favorable light."

22
23 The remainder of the letter contains examples of facts
24 about Hubbard which Defendant Armstrong found to be wholly
25 untrue or inaccurate and which were represented as true by the
26 Hubbards and the Scientology Organization.

27 In December of 1981 Defendant Armstrong made the decision
28 to leave the Church of Scientology. In order to continue in

1 his commitment to Hubbard and Mr. Garrison in the biography
2 project, he copied a large quantity of documents, which Mr.
3 Garrison had requested or which would be useful to him for the
4 biography. Defendant Armstrong delivered all of this material
5 to Mr. Garrison the date he left the SEA Organization and kept
6 nothing in his possession.

7 Thereafter, Defendant Armstrong maintained friendly
8 relations with Hubbard's representatives by returning to the
9 Archives office and discussing the various categories of
10 materials. In fact on February 24, 1982, Defendant Armstrong
11 wrote to Vaughn Young, regarding certain materials Mr. Young
12 was unable to locate for Omar Garrison.

13 After this letter was written, Defendant Armstrong went to
14 the Archives office and located certain materials Mr. Garrison
15 had wanted which Hubbard representatives claimed they could not
16 locate.

17 At the time Defendant Armstrong left the SEA Organization,
18 he was disappointed with Scientology and Hubbard, and also felt
19 deceived by them. However, Defendant Armstrong felt he had no
20 enemies and felt no ill will toward anyone in the Organization
21 or Hubbard, but still believed that a truthful biography should
22 be written.

23 After leaving the SEA Organization, Defendant Armstrong
24 continued to assist Mr. Garrison with the Hubbard biography
25 project. In the spring of 1982, Defendant Armstrong at Mr.
26 Garrison's request, transcribed some of his interview tapes,
27 copied some of the documentation he had, and assembled several
28 more binders of copied materials. Defendant Armstrong also set

1 up shelves for Mr. Garrison for all the biography research
2 materials, worked on a cross-reference systems, and continued
3 to do library research for the biography.

4 On February 18, 1982, the Church of Scientology
5 International issued a "Suppressive Person Declare Gerry
6 Armstrong," which is an official Scientology document issued
7 against individuals who are considered as enemies of the
8 Organization. Said Suppressive Person Declare charged that
9 Defendant Armstrong had taken an unauthorized leave and that he
10 was spreading destructive rumors about Senior Scientologists.

11 Defendant Armstrong was unaware of said Suppressive Person
12 Declare until April of 1982. At that time a revised Declare
13 was issued on April 22, 1982. Said Declare charged Defendant
14 Armstrong with 18 different "Crimes and High Crimes and
15 Suppressive Acts Against the Church." The charges included
16 theft, juggling accounts, obtaining loans on money under false
17 pretenses, promulgating false information about the Church,
18 its founder, and members, and other untruthful allegations
19 designed to make Defendant Armstrong an appropriate subject of
20 the Scientology "Fair Game Doctrine." Said Doctrine allows any
21 suppressive person to be "tricked, cheated, lied to, sued, or
22 destroyed."

23 The second declare was issued shortly after Defendant
24 Armstrong attempted to sell photographs of his wedding on board
25 Hubbard's ship (in which Hubbard appears), and photographs
26 belonging to some of his friends, which also included photos of
27 L.R. Hubbard while in seclusion. Although Defendant Armstrong
28 delivered the photographs to a Virgil Wilhite for sale, he

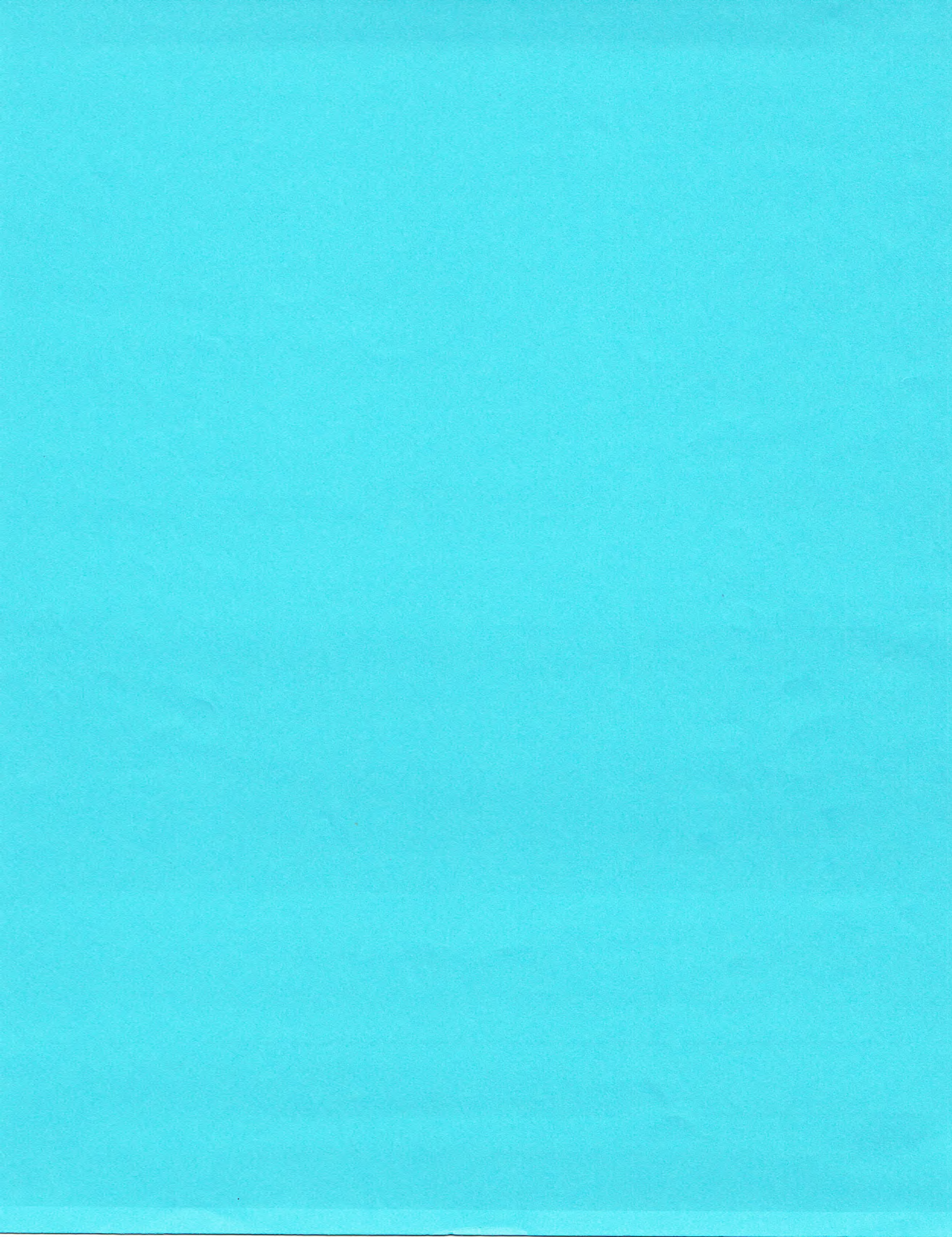
1 never received payment or return of his friend's photographs.
2 When he became aware that the Church had these photographs, he
3 went to the Organization to request their return. A loud and
4 boisterous argument ensued, and he eventually was told to leave
5 the premises and get an attorney.

6 From his extensive knowledge of the covert and
7 intelligence operations carried out by the Church of
8 Scientology of California against its enemies (suppressive
9 persons), Defendant Armstrong became terrified and feared that
10 his life and the life of his wife were in danger, and he also
11 feared he would be the target of costly and harassing lawsuits.
12 In addition, Mr. Garrison became afraid for the security of the
13 documents and believed that the intelligence network of the
14 Church of Scientology would break and enter his home to
15 retrieve them. Thus, Defendant Armstrong made copies of
16 certain documents for Mr. Garrison and maintained them in a
17 separate location.

18 It was thereafter, in the summer of 1982, that Defendant
19 Armstrong asked Mr. Garrison for copies of documents to use in
20 his defense and sent the documents to his attorneys, Michael
21 Flynn and Contos & Bunch.

22 After the within suit was filed on August 2, 1982,
23 Defendant Armstrong was the subject of harassment, including
24 being followed and surveilled by individuals who admitted
25 employment by Plaintiff; being assaulted by one of these
26 individuals; being struck bodily by a car driven by one of
27 these individuals; having two attempts made by said individuals
28 apparently to involve Defendant Armstrong in a freeway

1 automobile accident; having said individuals come onto
2 Defendant Armstrong's property, spy in his windows, create
3 disturbances, and upset his neighbors. During trial when it
4 appeared that Howard Schomer (a former Scientologist) might be
5 called as a defense witness, the Church engaged in a somewhat
6 sophisticated effort to suppress his testimony. It is not
7 clear how the Church became aware of defense intentions to call
8 Mr. Schomer as a witness, but it is abundantly clear they
9 sought to entice him back into the fold and prevent his
10 testimony.



(X)

HUBBARD COMMUNICATIONS OFFICE
Saint Hill Manor, East Grinstead, Sussex

Remimeo

HCO POLICY LETTER OF 18 OCTOBER 1967
Issue IV

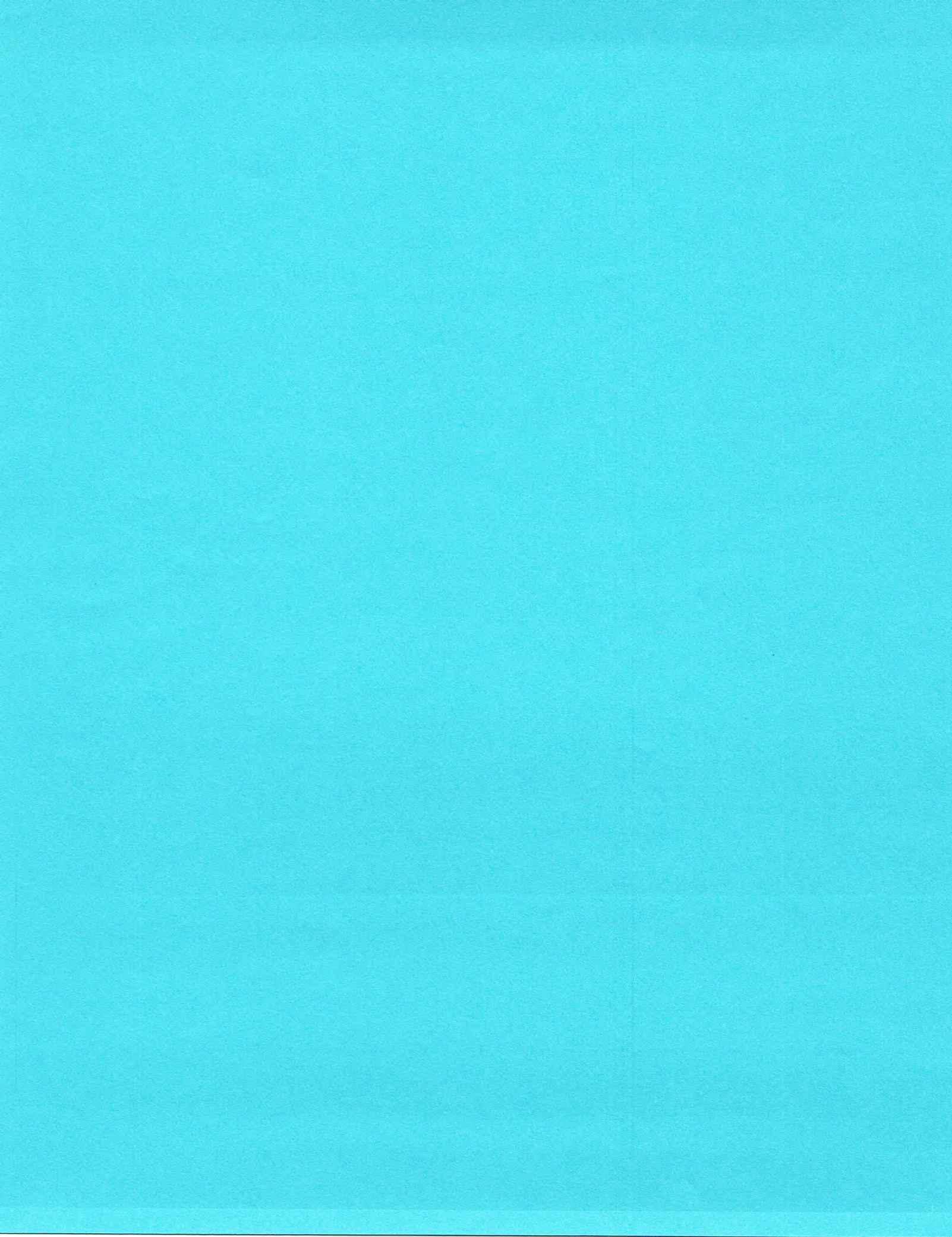
PENALTIES FOR LOWER CONDITIONS
(Applies both Orgs and Sea Org)

- LIABILITY - Suspension of Pay and a dirty grey rag on left arm and day and night confinement to org premises.
- TREASON - Suspension of pay and deprivation of all uniforms and insignia, a black mark on left cheek and confinement on org premises or dismissal from post and debarment from premises.
- DOUBT - Debarment from premises. Not to be employed. Payment of fine amounting to any sum may have cost org. Not to be trained or processed. Not to be communicated or argued with.
- ENEMY - SP Order. Fair game. May be deprived of property or injured by any means by any Scientologist without any discipline of the Scientologist. May be tricked, sued or lied to or destroyed.

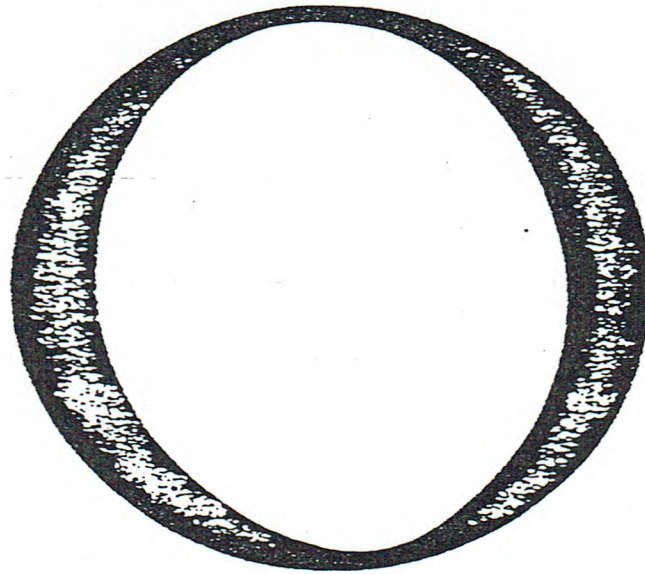
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L. RON HUBBARD
Founder

DEFENDANT'S
EXHIBIT
16
7/26/94
FARMY



MAGAZINE ARTICLES ON
LEVEL



CHECKSHEET
BY L. RON HUBBARD

THE AMERICAN ST. HILL ORGANIZATION

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*Printed in the United States of America
by Anderson, Ritchie & Simon, Los Angeles*

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Dissemination of Material

The dissemination of materials of Scientology is a problem of comparable stature to the use of techniques on a preclear in an auditing session. Just as you would not process a preclear with heavy processes when all he could take might be ARC Straight Wire, thus you would not issue Scientology materials of considerable weight to people incapable of assimilating them.

The immediate result of the issuance of materials not intended for that audience is to produce a state of confusion in the minds of that audience regarding Scientology. Here we have no question of talking down to people. Here we have no question of 'watering' our material, but we do have a question of disseminating Scientology. If we do it properly, then Scientology will be very broadly known. If we do it improperly it will stop in its tracks, and be known, if at all, as a confusion.

When materials are issued above the acceptance level of an audience, a confusion results. A confusion is the antithesis of a flow. Any communication resulting in a confusion then brings about an eddy or tumbling of particles rather than their spread. And a confusion at length becomes a mystery.

Part ten of the Code of a Scientologist says: "I pledge myself to engage in no unseemly disputes with the uninformed on the subject of my profession." This is an immediate injunction not to start an eddy of confusion. The employment of Scientology to the greatest good of the greatest number of Dynamics does not include using it knowingly or unknowingly to confuse hearers.

An outline of the communication lines of Scientology follows:

1. The General public to the general public.
2. Scientologists to the general public.
3. Member HASI to member HASI.
4. Trained Scientologist to a member of the HASI.
5. Member of the HASI to a preclear.
6. Trained Scientologist to a preclear.
7. Trained Scientologist to a trained Scientologist.
8. HASI to membership.
9. HASI to trained Scientologist.
10. HASI to the general public

1. GENERAL PUBLIC TO THE GENERAL PUBLIC

There are several things we would like the general public to say to the general public about Scientology. The first of these is that we would like the general public, when it sees an individual or group problem, to be quite certain that the proper thing to do is for that individual or group to consult a Scientologist. For instance, if somebody is having headaches, we would like his friends to come to the obvious solution that this person should see a Scientologist or should join a group undergoing processing.

The next on this communication line is that Scientology does not pose any threat, that Scientologists are good citizens, and that they can be trusted with problems of a private and confidential nature, or with problems dangerous to other people, such as the problem of criminality. Another frame of mind we would like to see the public have and register is that people attacking Scientologists have something wrong with them (and if you could meet any such people personally you would see that this is no more than truth). As a subdivision of this, the actual substance of communication about what Scientology is, from the general public to the general public, should be that Scientology says that good health and immortality are attainable. That it is something compounded out of all Man knows of the subject of Man, and that people are living units operating bodies, rather than bodies, and that this living unit is the human soul. Given this much communication line, the general public can embroider enormously, and unless a person in the general public can express his opinions, and unless the subject gives him a chance to express his own opinions, and so let HIM be interesting, he will not talk about the subject. Thus the data in the general public should give individuals a chance to be interesting, by knowing no more and no less than the above. We are not interested in sensationalism personalities, or the complexity of Scientological methodology being discussed by the general public. As a subdivision of this, we do not want Scientology to be reported in the press, anywhere else than on the religious page of newspapers. It is destructive of word of mouth to permit the public presses to express their biased and badly reported sensationalism. Therefore we should be very alert to sue for slander at the slightest chance so as to discourage the public presses from mentioning Scientology. What the newspapers say is not word of mouth. As an example of this, how many minutes today have you spent in discussing current events? **NEWSPAPER REPORTERS WRITING ARTICLES ON SCIENTOLOGY DO NOT EXPRESS SCIENTOLOGY.** Scientologists should never let themselves be interviewed by the press. That's experience talking!

As a subdivision of general public to general public we have the problem of the professions which might consider Scientology to be antipathetic to them, amongst these would be psychologists and medical doctors as well as psychiatrists. These persons are entirely in error when they express the opinion that Scientologists are against

them. Scientology does not consider them sufficiently important to be against. Flour-pills or any incantation or system will produce in 22 per cent. of the public, benefit. Therefore, any practice or art can always achieve 22 per cent. recovery in their patients. It is when we better this 22 per cent. that we are being efficient. We have no more quarrel with a psychologist than we would have with an Australian witch-doctor. We have no quarrel with a psychiatrist any more than we should quarrel with a barbarian because he had never heard of nuclear physics. And as for the medical doctor, we know very well that modern medical practice, having lately outgrown phlebotomy, has come of age to point where it can regulate structure in a most remarkable and admirable way. In Scientology we believe a medical doctor definitely has his role in a society just as an engineer has his role in civil government. We believe that a medical doctor should perform emergency operations such as those made necessary by accidents; that he should perform orthopaedics; that he should deliver babies; that he should have charge of the administration of drugs; that his use of antibiotics is beneficial; and that wherever he immediately and curatively addresses structure he is of use in a community. The only place we would limit a medical doctor is in the field of treatment of psychosomatic medicine, where he has admittedly and continuously failed, and the only thing we would ask a medical doctor to change about his practice is to stop taking money for things he knows he cannot cure, i.e., spiritual, mental, psychosomatic, and social ills.

With regard to psychologists, medical doctors, and psychiatrists, then, what would one say in talking with them? But again we have section 10 of the Code of the Scientologist. You wouldn't expect this psychologist, or psychiatrist, or medical doctor to get into an argument with you on how to get rats or find their way through mazes, how you would set a tibia, or what voltage you would put on an electric shock machine. Therefore, and equally, do not permit yourself to be put in the situation where you are discussing privately or in public, the methodologies of your wisdom. The attitude of a Scientologist toward people in these professions should be: "I have my techniques. It took me a long time to learn them just as it took you a long time to learn yours, and I am not going to try to make a minister out of you, and you are not going to try to make a medical doctor (psychiatrist, psychologist) out of me. I am an expert instructor only where it is intimately involved with the human spirit. I can produce my effects. You can produce yours. In view of the fact that you do not pretend to operate in the field of the human spirit, and I do not pretend to operate in the field of structure, I do not see how there can be any discussion. But things that I can't handle in structure when called upon I will be very happy to refer to you, and I shall expect that when matters of the spirit come into question you will have enough understanding of life, where we are all specialists, to refer them to me." A quiet explanation of this character will do a great deal to place you as a professional man in their realm of understanding of professional men.

Should anyone challenge you for having suddenly secured a relief in a hospital or an institution from some dire malady which balked the efforts of the professional men in charge of it, and should you ever be "called upon the carpet" for having "interfered" with the progress of a case, you should be extremely dismayed, and act it, to find yourself in the presence of barbarians who do not believe in the power of prayer, in the will of God, or the promises of Jesus Christ. And you should point out that, whereas the body was in their keeping, they did not at any time care to take purview of the human soul. And if anything has occurred because the soul, in your province, then reacted upon the body, you believe that they are unwilling to admit the will of God in their treatment of human beings, and if this is the case you now, while you are being addressed by such people, discover yourself to be in a strange place where men pretending to be Christians doubt God, the Son of God, and the power of prayer. Your entire address to such people, in such a situation, publicly or privately, should be entirely overt, accusative, and not at any time apologetic. And you should immediately make it your business to place this matter before the proper authorities, that people are in charge of an institution here, are not Christians, and do not believe in God, and you should inform your accusers that you are going to do so.

Should you ever be arrested for practicing Scientology, treating people, make very sure, long before the time comes, that you have never used drugs or surgery, and that you have never prescribed a diet, or vitamins, and when that time might come, make very sure that you immediately and instantly, within two or three hours after your receipt of the warrant, have served upon the signer of that warrant, a personal civil suit for \$100,000.00 damages for having caused the arrest of a Man of God going about his business in his proper profession, and for having brought about embarrassing publicity and molestation. Place the suit and WIRE THE HASI IMMEDIATELY. Make the whole interest during the entire time of such an unfortunate occurrence the fact that the signer of such a warrant, who would ordinarily be a medical doctor in charge of the medical department of some city, had dared fly in the teeth of religion. And use what is necessary of the earlier passage above to drive the point home. DO NOT simply fall back out of communication if you are attacked, but attack, much more forcefully and artfully and arduously. And if you are foolish enough to have an attorney who tells you not to sue, immediately dismiss him and get an attorney who will sue. Or, if no attorney will sue, simply have an HASI suit form filled out and present it yourself to the county clerk in the court of the area in which your case has come up.

IN ALL SUCH CASES OR ARREST FOR THE PRACTICE OF SCIENTOLOGY, THE HASI WILL SEND A REPRESENTATIVE AT ONCE, BUT DO NOT WAIT FOR HIS ARRIVAL TO PLACE THIS SUIT. THE SUIT MUST ALREADY HAVE BEEN FILED WHEN THE HASI ATTORNEY ARRIVES.

In other words, do not, at any moment leave this act unpunished, for, if you do you are harming all other Scientologists in the area. When you are attacked it is your responsibility then to secure from further attack not only yourself but all those who work with you. Cause blue flame to dance on the court house roof until everybody has apologized profusely for having dared to become so adventurous as to arrest a Scientologist who, as a minister of the church, was going about his regular duties. As far as the advances of attorneys go that you should not sue, that you should not attack, be aware of the fact that I, myself, in Wicnita, Kansas, had the rather interesting experience of discovering that my attorney employed by me and paid by me, had been for some three months in the employ of the people who were attacking me, and that this attorney had collected some insignificant sum of money after I hired him, by going over to the enemy and acting upon their advices. This actually occurred, so beware of attorneys who tell you not to sue. And I call to your attention the situation of any besieged fortress. If that fortress does not make sallies, does not send forth patrols to attack and harass, and does not utilize itself to make the beseiging of it a highly dangerous occupation, that fortress may, and most often does, fall.

The DEFENSE of anything is UNTENABLE. The only way to defend anything is to ATTACK, and if you ever forget that, then you will lose every battle you are ever engaged in, whether it is in terms of personal conversation, public debate, or a court of law. NEVER BE INTERESTED IN CHARGES. DO, yourself, much MORE CHARGING, and you will WIN. And the public, seeing that you won, will then have a communication line to the effect that Scientologists WIN. Don't ever let them have any other thought than that Scientology takes all of its objectives.

Another point directly in the interest of keeping the general public to the general public communication line in good odor: it is vitally important that a Scientologist put into action and overtly keep in action Article 4 of the Cole: "I pledge myself to punish to the fullest extent of my power anyone misusing or degrading Scientology to harmful ends." The only way you can guarantee that Scientology will not be degraded or misused is to make sure that only those who are trained in it practice it. If you find somebody practicing Scientology who is not qualified, you should give them an opportunity to be formally trained, at their expense, so that they will not abuse and degrade the subject. And you would not take as any substitute for formal training any amount of study.

You would therefore delegate to members of the HASI who are not otherwise certified only those processes mentioned below, and would discourage them from using any other processes. More particularly, if you discovered that some group calling itself "precept processing" had set up and established a series of meetings in your area, that you would do all you could to make things interesting for them. In view of the fact that the HASI holds the copyrights for all such material, and that a scientific organization of material

can be copyrighted and is therefore owned, the least that could be done to such an area is the placement of a suit against them for using materials of Scientology without authority. Only a member of the HASI or a member of one of the churches affiliated with the HASI has the authority to use this information. The purpose of the suit is to harass and discourage rather than to win.

The law can be used very easily to harass, and enough harassment on somebody who is simply on the thin edge anyway, well knowing that he is not authorized, will generally be sufficient to cause his professional decease. If possible, of course, ruin him utterly.

A D.Scn. has the power to revoke a certificate below the level of D.Scn. but not a D.Scn. However, he can even recommend to the *CECS of the HASI that D.Scns. be revoked, and so any sincere Scientologist is capable of policing Scientology. This is again all in the interest of keeping the public with a good opinion of Scientology, since bad group processing and bad auditing are worse than bad publicity and are the worst thing that can happen to the general public to general public communication line.

The best thing that can happen to it is good auditing, good public presentation, and a sincere approach on the subject of Scientology itself. Remember, we are interested in ALL treatment being beneficial, whether it is Scientology or not. For bad treatment in any line lowers the public opinion of all treatment.

In addressing persons professionally interested in the ministry, we have another interesting problem in public presentation. We should not engage in religious discussions. In the first place, as Scientologists, we are gnostics, which is to say that we know what we know. People in the ministry ordinarily suppose that knowingsness and knowledge are elsewhere resident than in themselves. They believe in belief and substitute belief for wisdom. This makes Scientology no less a religion, but makes it a religion with an older tradition and puts it on an intellectual plane.

Religious philosophy, then, as represented by Scientology, would be opposed in such a discussion to religious practice. We are all-denominational rather than non-denominational, and so we should be perfectly willing to include in our ranks a Moslem, or a Taoist, as well as any Protestant or Catholic, while people of the ministry in Western civilization, unless they are evangelists, are usually dedicated severely to some faction which in itself is in violent argument with many other similar factions. Thus these people are ready to argue and are practiced in argument, and there are more interpretations of one line of scripture than there are sunbeams in a day. Beyond explaining one's all-denominational character, explaining that one holds the Bible as a holy work, one should recognize that the clergy of Western Protestant churches defines a minister or the standing

*Committee for Examinations, Certification and Services.

of a church by these salient facts: Jesus Christ was the Savior of Mankind, Jesus Christ was the Son of God.

We in Scientology find no argument with this, and so in discussing Scientology with other ministry one should advance these two points somewhere in the conversation. Additionally, one should advance to the ministry exactly those things mentioned earlier as what we would like the general public to believe. Christ, if you care to study the New Testament, instructed his disciples to bring wisdom and good health to man, and promised mankind immortality, and said the Kingdom of Heaven was at hand, and the translators have not added that "at hand" possibly meant three feet back of your head. We could bring up these points but there is no reason to. You are not trying to educate other ministry. A friendly attitude toward other ministry in general, and fellow ministers in particular, is necessary.

The way to handle an individual minister of some other church is as follows: get him to tell you exactly what HE believes, get him to agree that religious freedom is desirable, then tell him to make sure that if that's the way he believes, he should keep on believing that, and that you would do anything to defend his right to believe that.

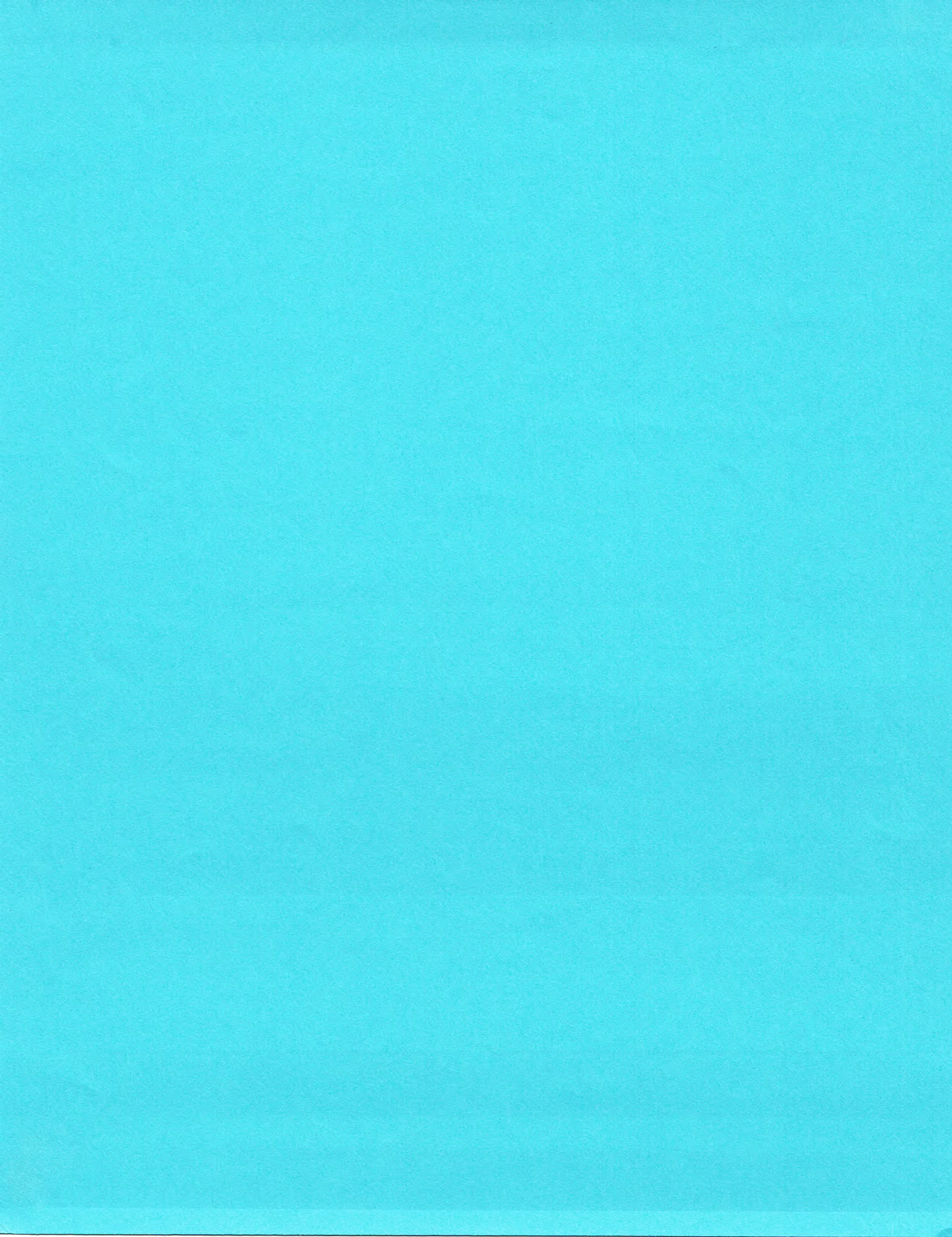
None of these people as individuals are antipathetic. They know a great deal about public presence, and can be respected for such knowledge. However, engaging in long discourses, or trying to educate a minister of some Protestant church or a priest of the Catholic faith into the tenets of Scientology is not desirable and is directly contrary to Article 10 of the Code of a Scientologist.

You will find you have many problems and people in common with other ministers. They're alive too. Also you will see a campaign to place only ministers in charge of the mind, and mental healing. Talk about these things.

The Christian Church has been hurt by factionalism. We stand for peace and happiness. Therefore, let us carry it forward by example, not by unseemly discussions.

2. SCIENTOLOGISTS TO THE GENERAL PUBLIC

In the assemblage of congregations, and in addressing the general public at large, a Scientologist has a responsibility to give to the public, in the form of such congregations or meetings, information acceptable to them, which can be understood by them, and which will send them away with the impression that the Scientologist who addressed them knew definitely what he was talking about and that Scientology is an unconfused, clear-cut subject.



HUBBARD COMMUNICATIONS OFFICE
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All PR Packs

PR Series 18

HOW TO HANDLE BLACK PROPAGANDA

RUMORS AND WHISPERING
CAMPAIGNS

"Black propaganda" (Black = bad or derogatory, propaganda = pushing out statements or ideas) is the term used to destroy reputation or public belief in persons, companies or nations.

It is a common tool of agencies who are seeking to destroy real or fancied enemies or seek dominance in some field.

The technique seeks to bring a reputation so low that the person, company or nation is denied any rights whatever by "general agreement". It is then possible to destroy the person, company or nation with a minor attack if the Black Propaganda itself has not already accomplished this.

Vicious and lying gossip by old women was the earlier form of this tactic and was so bad that some areas put them in public stocks (neck yokes) or drove them out of town.

In modern times there is no such check on Black Propaganda. Difficulties and costs of libel and slander suits, abuse of press privilege, lay anyone open to such a campaign.

All one needs is an enemy. And there are few men in history who have been without enemies.

There are random individuals in the society who do not understand very much. This is expressed as a sort of malicious glee about things. Such pass on slanderous rumors very easily. In an illiterate society such people abound. Since they cannot read, the bulk of knowledge is denied to them. Since they do not know very many words much of what is said to them is not understood.

This is not isolated to the illiterate only.

What they do not understand they substitute for with imaginary things.

Thus such persons not only listen to slander but also corrupt and twist even it.

Thus a rumor can go through a society that has no basis in truth.

When numbers of such rumors exist and are persistent, one suspects a "Whispering Campaign". This is not because people whisper these things but because like an evil wind it *seems* to have no source.

Black Propaganda makes use of such a willingness to pass on and amplify falsehoods.

Much Black Propaganda is of course more bold and appears blatantly in irresponsible (or covertly controlled) newspapers and radio and television.

But even after a bad press story has appeared or a bad radio or TV broadcast has been given, the "Whispering Campaign" is counted upon by Black Propagandists to carry the slander through the society.

Thus any person, any being, is at risk.

No person, company or nation has totally clean hands. That is left to the Saints. In childhood one stole a few apples, broke a window or two, dented a fender, went joy riding in a "borrowed" vehicle or took pennies or candy bars that weren't his own.

Childhood is quite lawless and the teenage period is often a revolt against the

closer and closer fitting straightjacket of "proper social conduct". One marries the wrong spouse or goes astray with another in some incautious moment, or commits various large and small sins of which society disapproves.

Any of these things tend to make one vulnerable to attack, upon his past or repute.

A person comes to fear bad things being said about him. In the face of a Whispering Campaign, real or imagined, one tends to withdraw, tends to become less active and reach less.

This is equally true of companies and even nations.

Thus, unless one knows how to handle such an attack, one can in fact be made quite miserable and ill.

THE ATTACKER

The world is full of madmen.

The basic characteristic of extreme madness is perpetual attack, attacks on anything, attacks on persons or things which contain no menace.

Extreme, not petty, crime is at the root of such an impulse.

The attacker has an evil purpose in life. He is a thing of death, not life. And his harvest is a death harvest.

Such a person feels he cannot be safe unless everything else is dead.

His evil purpose takes many forms and expressions. The end product is the same—death.

Where an attacker has gone too far he is himself then attacked. Long bitter quarrels and national wars are alike the to and fro exchange of violence.

Where an attacker lacks the physical means of destroying others and where his own purpose would fail if disclosed, the attacks become covert.

He uses word of mouth, press media, any communication channel to spit his venom. He hides himself as the source, he makes the verbal attack seem logical or real or proven.

He counts on the utterances being picked up or distorted and passed on by the more base people in the society.

This is Black Propaganda. It is intended to reduce a real or imagined enemy, hurt his income and deny him friends and support.

Companies or associations do this to competitors. The American Medical Association maintains its multi-billion dollar monopoly over sickness by continuing a long, well financed Black Propaganda campaign against anyone it *thinks* might threaten their income. The head of their "Department of Investigation" (as they call their Black Propaganda department) once said they just kept it up and kept it up against any rival and one day WHAM! They use press releases, their own members, paid ads, displays, government connections and speakers, any channel, to release endless streams of *imaginary* tales against any *imaginary* rival. While this does bring them government support it has brought them deep hatred not only from rivals but the public at large.

They get back what they put out. They were once wealthy. They are no longer. Their members dislike them and increasingly doctors belong only to state medical societies, not the AMA. The individual doctor most often has good public relations. His main society benefits from this and betrays it. One day, no AMA. WHAM!

So Black Propaganda is not something one lightly instigates. For it recoils on the person who uses it.

Let us see how it recoils.

Too much venom put out stains one with venom.

Too much Black Propaganda gets attacks in return.

Black Propaganda is essentially a fabric of lies. The AMA simply imagines stories to put out or have put out.

Sooner or later such stories are found not to be true. ONE false story can destroy the credit of the teller. Now who listens?

Thus a Black Propaganda Campaign is vulnerable. The attacker sooner or later is attacked—often by many.

But those who have to counter such a campaign need the technology of how it is handled.

ANY NEWS

There is a natural law at work that unfortunately favors Black Propaganda.

WHERE THERE IS NO DATA AVAILABLE PEOPLE WILL INVENT IT.

This is the Law of the Omitted Data.

A vacuum tends to fill itself. Old philosophers said that "nature abhors a vacuum". Actually the surrounding pressure flows into an area of no pressure.

It is this way with a person, company or nation.

Hit by lies the person tends to withdraw. This already tends to pull things in.

The person does not then wish to put out data. He becomes to some degree a mystery.

To fill that mystery people will invent data.

This is true of persons, companies or nations.

This is where *public relations is a necessity*.

Essentially Public Relations is the art of making good works well known.

It is a fatal error to think good works speak for themselves. They do not. They must be publicized.

Essentially this is what public relations is. And this is *why* it is—to fill that vacuum of omitted data.

In the midst of a Black Propaganda Campaign one is denied normal communication channels. The press media along which the campaign is being conducted will *not* run favorable comment. One is mad if he thinks it will as it is serving other masters that mean to destroy the repute of the Target.

"Authoritative" utterances push plain truth out of sight.

Thus public relations people have to be very expert in their technology when they confront Black Propaganda.

THE TECH

When one is not fighting a battle against Black Propaganda, public relations is easy.

One hires a reporter who gets to work thinking up ideas and turning out releases. That's why reporters are often thought of as Public Relations people which they are not.

In the face of a Black Propaganda Campaign, such releases are twisted, refused and that is the end of it.

There is far more to the art than this.

These are some of the rules that apply.

1. Fill the vacuum of omitted data with factual data.
2. Prove all false utterances heard are lies.
3. Discredit every rumor encountered.
4. Handle the interest level with any utterance.
5. Carefully study out the scene until the exact source is located.

6. Use the knowledge of source to impede or destroy the source of Black Propaganda by non-criminal means.
7. Continue to fill the vacuum of no data with good data using any channels available.

Each one of these points could well take a book. But understanding them and using one's initiative one can fill in a lot of the tech himself.

The variations of each one are endless.

APPLICATION

1. Fill the Vacuum.

First of all, cease to withdraw. It is proven conclusively that in public relations handling of Black Propaganda, only outflow pays off. Saying nothing may be noble in a character but it is fatal in public relations. Yet even "experts" advise it (when they are doing their clients in).

Blunt denial is crude and can be used against one as a sort of confirmation.

You don't have to announce or spread a flap and never should. PR men often *make* the flap.

But don't interpret this as "silence is necessary". Get in a safe place and speak up.

Use any channel to speak up. But don't seek channels that will corrupt what you say in repeating it.

Don't stay on the same subject that you are being attacked on.

An example of speaking up without denying and thus confirming might be:

STATEMENT: "I read your company went broke last month."

REBUTTAL: "My God. You're telling me! If we hadn't got out of that contract we really would have gone broke. There was a hell of a row in the board room. But McLinty won. Scotch to the core. He said, 'I won't sign it!' Like to have tore the president's head off. Hell of a row. Seems like we got 80 million buried somewhere and McLinty is in charge of it and he won't *move an inch* on it."

The Interrogator's conclusion is you're not broke. He's got data. The vacuum is filled with a story of board rows and 80 million mysterious reserves.

2. Disprove False Data.

The technique of proving utterances false is called "DEAD AGENTING". It's in the first book of Chinese espionage. When the enemy agent gives false data, those who believed him but now find it false kill him—or at least cease to believe him.

So the PR slang for it is "Dead Agenting".

This consists of disproving utterly the false statement with documents or demonstration or display.

One has to have a kit (a collection of documents) or the ability to demonstrate or something to display.

STATEMENT: "I've been told you are in trouble with Income Tax people."

REBUTTAL: "Here's a document of fully paid taxes and a letter of commendation from the tax authorities." Displays some.

Result? Whoever told him that is now dead with him as an accurate informer.

The *best* way to dead agent is when the person makes some disprovable statement, find *WHO* to fix his mind on it and then produce the rebuttal.

STATEMENT: "I hear you aren't married to the man you're living with."

REBUTTAL: "*WHO* told you that?"

STATER: "I forget."

REBUTTER: "Well you remember and I'll show you some proof."

STATER: "Well, it was a man. . . ."

REBUTTER: "WHO?"

STATER: "Joe Schmo."

REBUTTER: "Okay. Here's my marriage certificate. Who's the Joe Schmo nut anyway?"

Now it's Joe Schmo who's the mystery. How come he lies? What's in it for him?

When one hasn't got the document but can get it one can say, "You tell me the name of whoever said that and next time I see you I'll show you something *very* interesting about it."

And be sure to get the document and see him again.

Dead Agenting has a billion variations. "It won't fly." Fly it. "Place is empty." Show him it's full.

The subject matter of Dead Agenting is PROOF in whatever form.

You only challenge statements you *can* prove are false and in any conversation let the rest slide.

EVERY FRIEND, EVERY OPINION LEADER, EVERY STAFF MEMBER YOU HAVE SHOULD BE SUPPLIED WITH A DEAD AGENT PACK CONTAINING PROOFS AGAINST COMMON RUMORS (AND BROCHURES AND COACHING TO FILL THE VACUUM).

3. Disprove Every Rumor.

Proving negatives is almost impossible. "How do I know you aren't a CIA man?" Well, how can one prove that? One can't whip out a KGB badge as that would be just as bad. No one ever wrote a document "Bili Till is not a member of the CIA." Useless. It is a denial. Who'd believe it?

Sometimes "You don't" works.

But the right answer to a negative (no proof) is a "fill the vacuum".

STATEMENT: "How do I know you're not a CIA man?"

REBUTTAL: "Christ, please don't insult me! The CIA tried to hire me once. Said they'd shoot me if I didn't join up. Cuba it was. I was a sugar salesman. And Batista was trying to. . . . etc, etc. See this scar on my leg? (Pulls up pants.) Batista cop shot me because he thought I was CIA. So don't bring up painful subjects. (Rubs scar.) (Laugh.)"

But once in a while you *can* prove a negative. Accused of drug smuggling one can show he's a member of the anti-drug league. The counter in a negative proof must be *credible*.

A million million variations exist in Dead Agenting.

The basis of it is NOT to be the thing rumored and to be able to prove it fast.

4. Handle the Level.

Handling Interest Level is basically an exercise in the Tone Scale. (See Tone Scale Charts of Human Emotion.)

Agreement occurs at the same emotional tone level as the person making the statement. He buys his facts at that level.

To go half a tone up from his level is to command him within his zone of reality.

STATEMENT: "It's hopeless trying to believe in anyone. I thought you people were all right but now I hear you are all hippies. (In a dull apathy.)"

REBUTTAL: "Oh, oh, oh, who could have told you such a sad lie. (Sob.)"

STATER: "Wouldn't be any use to say."

REBUTTER: "(Sob.) But you've got to say. Oh, I feel so awful."

STATER: "Well he wouldn't care if I told. It's the local minister."

REBUTTER: "(Sob.) (Kleenex.) What an awful thing to say. Just because we found him dead drunk and took him home to sleep it off and he said if we ever told he'd say we're hippies."

STATER: "What a sad story. Oh, it's a bad world. How ungrateful."

You go half a tone up. Give him a story, on the subject or not. Like "(Sob) That's because we lost our instruments. We once were a band and this nightclub owner wouldn't pay us and we had to sleep in the barn (sob). . . ."

Another one.

STATEMENT: "I hear some bad things about you people. (Covert hostility.)"

REBUTTAL: "(Anger) Who would DARE say such things?"

Etc.

And story type can be matched in tone.

STATEMENT: "I hear those people stole some rowboats."

REBUTTAL: "Who said so?"

STATER: "The dock master's son."

REBUTTAL: "Oh, him. Gets things wrong. *Our* rowboat was stolen! With all the gear in it. We were out fishing and. . . . say, you don't suppose HE stole it do you? Did you ever hear of him stealing anything? Has he got a record?"

Well, this dock master's son will now "have a record" in the stater's tales. As *theft* is of interest to him, crime will also be.

5. Carefully Study Out the Scene.

The technology of finding who is shooting is very vast. But the core of it is FILING.

All PR is expensive in time or money or both. And nowhere is it more time consuming than in locating the source of a Black Propaganda Campaign.

But, to live at all, one has to engage in this search at some time or other.

One just keeps running down these tales until one locates the source.

There can be more than one *apparent* source and these can be handled. But they will at last lead to the real instigator.

One just keeps locating names and filing them, with dates.

At length one name file is very thick. That's your boy—or association or company or nation.

6. Impede or Destroy.

As you have been dead agenting as you looked, the attacks get handled. The campaign ebbs and flows but actually lessens.

There are thousands of variations on finding the real WHO.

But essentially it is just looking, dead agenting, filing, looking on and on.

You are, in this whole period, *handling*.

Once in a while it happens fast.

Now and then the Black Propagandist packs up and fades away before he is fully spotted. He becomes aware of the counter-action.

The usual action is a counter propaganda campaign *based on truth*.

It is a long-to-find and hard-learned fact that people who engage in Black Propaganda have big bursting crimes to hide.

They do not have *little* crimes. They have BIG ones.

One's own ability to confront evil may be too low to really grasp the Black Propagandist's crimes or believe they exist.

Such people are often SANCTIMONIOUS hypocrites. They are usually arrogant and will not parley (have conferences with a foe). They appear so terribly sure they are RIGHT that it fairly shakes one's confidence that they could ever do anything wrong.

Thus the Black Propagandist is not detectable as such in many cases. The lordly institution, the lofty society, the glittering country are far, far above such a nasty psychotic trick as a studied, financed, expertly run campaign of vicious lies.

Thus they are believed. Or their servants are believed. And their campaigns can be *very* effective.

But this makes them hard to suspect or detect. And it makes it hard to get anything bad about *them* believed.

But under all this are *real* crimes. Not stealing apples or pinching pennies as a child. *Real* crimes like extortion, blackmail, embezzlement and mass murder are sitting in their closets. Believe that. For in the course of your counter-attack you may despair of ever finding anything.

But you will find it.

A lofty railroad—but secretly murdering anyone who opposed their land grabs. A minister of high renown—but a secret member of and taking orders from a murder mob. The biggest and “most respected” union leader in the country—but a numbered agent of a foreign intelligence service dedicated to destroying the country’s fuel capacity and defeating its president!

And each of these engaged in and never was suspected of Black Propaganda Campaigns that ruined many lives.

Bad guys tend to get rid of good guys. Sometimes for what they consider good reasons, sometimes for imagined reasons, sometimes because the bad guy just can’t *stand* a decent bright person.

But there is no real truth in the bad guys always cause their own downfall. It may come, but it may be far too late to save the reputation or even life of the person being attacked by hidden campaigns.

Therefore it is *vital* to handle the matter. One can’t just hope it will all go away. It won’t. It will get disastrous to the degree that it is not handled.

The less handling, the more disastrous.

There is another hard won truth.

ONLY COUNTER-ATTACK HANDLES.

The fact is that just going on PRing oneself does not remove the effects of the campaign and all too soon one no longer has communication lines left in order to handle anything since reputation is so destroyed no one will listen and no lines remain.

One has to fill the vacuum of the counter-propagandist’s evil deeds. As these are never exposed to view there is a vacuum there.

Another strange thing is that press *will* print attacks. Maybe this will no longer be true in some enlightened age. But in this era, good attacks or fights between things will get print space.

But press is *very* far from the only channel of communication. Governments do believe the press and think it is public opinion. A newspaper can be a fortress of some Black Propagandist. But a people often believes little it reads.

There are opinion leaders, there are letters, there is word of mouth. These are also channels of communication and really far more powerful than the press.

There is also friendly press. But a friendly-talking reporter is often the most suspect. He was so nice in the interview, so vicious in his article.

Statements one makes can be curved. “She had a birthday party” becomes “The delinquents in her circle gathered yesterday for a sex orgy and pretended to the police it was a birthday party. No one was jailed.”

The brand of Black Propaganda is very easy to see in writing twists.

So it takes time and work to reverse an attack because normal channels have to be reopened and reversed.

It is done by attacks.

But attacks which are not true earn suits. So one must attack only on proven ground.

This requires a lot of hard search.

However, a Black Propagandist often has *many* other enemies. These have sometimes gathered data.

The principles are that when the sub-terminals are located, they are investigated and counter-attacked. Then further investigation reveals closer terminals to the propagandist and these are attacked. In short, one investigates and attacks.

Always be ready to parley—that is, have a conference and settle it. The arrogance of the Black Propagandist often forbids this. And when it does, it means longer and harder work and, if well done, his downfall.

In any event, the attack is a long cycle, a complex cycle and often an expensive cycle. It consists of investigate and attack.

But remember, one *must* attack once he has any idea of the identity of the Black Propagandist or even his sub-terminals.

There is no other way out.

Any other course is death.

7. Continue to Fill the Vacuum.

Continuous good works and effective release of material about one's good works is vital especially in a Black Propaganda war.

One cannot just fight.

You are in effect advertising the other fellow when you expose him repeatedly. This gives you a new sort of vacuum. One becomes known as the fellow or company or nation that attacks _____. But who really is this fellow or company or nation?

Pamphlets, brochures, press releases, one's own newspaper and magazine, one's own contacts with opinion leaders, these and many more, must be supplied with A COMPREHENSIBLE IDENTITY OF SELF.

Distributing or using these one publicizes one's own good works.

And one must also *do* good works. One can't just dedicate his life to eradicating the enemy, even when that is tempting.

On the other hand, within the dictates of safety, one cannot hide continuously. One must, through his good works and actions at least, be visible.

So a continual truthful and artful torrent of public relations pieces must occur.

Then one day there is no enemy.

And one's repute is high.

There may be other attacks but now one can handle them as small fires and not as a whole burning forest.

WHAT IS BLACK PROPAGANDA?

You can see that Black Propaganda is a covert attack on the reputation of a person, company or nation, using slander and lies in order to weaken or destroy.

Defense presupposes that the target is not that bad.

One does not have to be perfect to withstand such an attack, but it helps.

But even if one *were* perfect it would be no defense. Almost all the saints in history have been subjected to such attacks. And most of them died of it.

The answer is PR TECHNOLOGY SKILLFULLY APPLIED.

To be skillful in anything, one has to know it and be experienced in it and DO it.

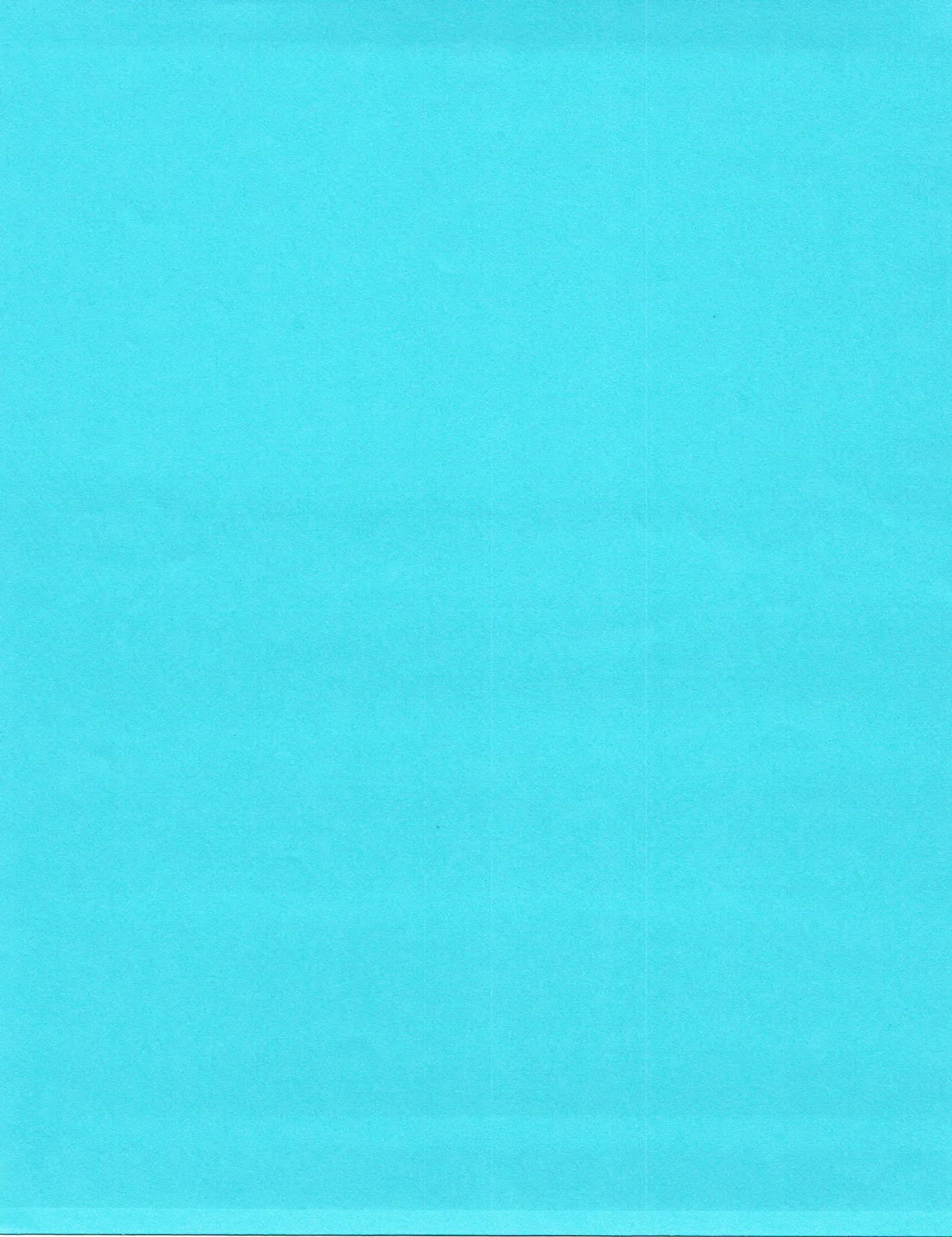
As weary a task as it may seem to some, as heartbreaking as it can be, one still has to *fight*. And fight with tools and technology and dedication superior to that of the enemy.

But progressing and getting small gains, small penetrations, small little skirmishes and battles one at length comes up to victory after victory and at last wins the whole war.

One is saved.

L. RON HUBBARD
Founder

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HUBBARD COMMUNICATIONS OFFICE
Saint Hill Manor, East Grinstead, Sussex

HCO POLICY LETTER OF 11 MAY 1971
Issue III

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Remimeo

PR Series 7

BLACK PR

About the most involved employment of PR is its covert use in destroying the
repute of individuals and groups.

More correctly this is technically called BLACK PROPAGANDA.

Basically it is an intelligence technique.

It can be a serious error to cross Intelligence and PR.

These are two different fields. They have two distinctly different technologies.

A PR man must also know something of intelligence technology. Otherwise one
day he will be left gaping.

Intelligence is intelligence. PR is PR.

When you gather information by intelligence procedures and at once employ it
for PR, the result is likely to be poor.

It is not that it isn't done. It's that it isn't very effective. Also it is an act of
desperation.

PR IS OVERT.

INTELLIGENCE IS COVERT.

PR is at its best when it begins and ends overtly.

Intelligence is best when it begins and ends covertly.

PR with an open demand by known authors, a demonstration, a conference is
normal PR.

Intelligence trembles on the edge of PR when filched data explodes a storm in the
public. It recoils when the authors are then known.

Black Propaganda is in its technical accuracy, a covert operation where unknown
authors publicly effect a derogatory reaction and then remain unknown.

The effect of Black Propaganda is largely wiped out by "Oh, it was the Germans
who set them up."

So PR enters intelligence in this way: One finds who set up the Black Propaganda
and explodes that into public view.

This use of PR is almost that of an auditor to the group. One is disclosing hidden
sources of aberration.

To use intelligence to find where they hid the body and then flip over into wide
publicity is not very powerful in actual practice. There better be a body there and one
better tell the police not the public.

If there are no effective police, then one has the problem of police action.
Exploding it to the public ideally is an effort to make the public a vigilante committee.
Modern publics seldom rise this high. Educated publics seldom explode to the
explosion.

A PR man who thinks taking Blitz & Company's crimes to the public is really just
dreaming hopefully—without foundation. It may or may not hurt Blitz. It might recoil.
The ability of the public to stand around and look stupidly at a dripping handed
murderer without doing a thing about it is a symptom of our civilization. They *ought*
to act. They don't. You can form an opinion amongst them but governing bodies won't
consult it.

Exposure is not an effective road to *action*. It can be to opinion. It is slow.

Then what is effective?

INTELLIGENCE

By definition Intelligence is covert. Under cover. If it is kept so all the way it is effective.

When Intelligence surfaces it becomes very ineffective.

Threat and mystery are a lot of the power of intelligence. Publicity blows it.

Take the Red Orchestra, World War II, Stalingrad Campaign. In Berlin Schultz-Boysen and other highly placed Russian agents got the whole German plan of the battle that was to be Stalingrad. Brilliant and covert intelligence. They passed it to the Russians. Brilliant and covert comm. The boss at Centre in Moscow put the ring's names and addresses in a code radio message. The Germans of course broke the code. The Germans rounded them up and messily executed them on meat-hooks. The Germans had no other battle plans but contemplated not attacking Stalingrad that way. This put the whole coup at risk. Then the Germans did use the plans the Russians knew and that was the beginning of the end of WW II.

So TWO exposures threatened the success of this intelligence coup. One was the stupid radio message. The other was the realization the Russians had the battle plans.

Exposure is the basic threat of intelligence.

PR is the willful broadcast of information.

The two don't mix well.

BLACK PROPAGANDA

Possibly used since the morning pale of history, Black Propaganda was developed by the British and German services in World War I into a fine art.

The word "propaganda" means putting out slanted information to populations.

One propagandizes the enemy population or one's own or neutrals.

In popular interpretation it is a parade of lies or half truths or exaggerations.

PR and advertising technology and mass news media are employed as well as word of mouth and posters.

The trouble with it is that it can often be disproven, discrediting the utterers of it.

It may serve the moment but after a war it leaves a very bad taste.

If one is engaging on a campaign of this nature, its success depends on sticking to the truth and being able to document it.

The entire black propaganda campaign conducted for 21 years against Scientology began to fold up in its 16th year because never at any time did its instigators (a) have any factual adverse data or (b) tell the truth.

The Scientology movement continued if only by heroic means and much sacrifice.

But at last nobody of any note believed the propaganda.

The attackers pulled in on themselves a counter attack based on penetrating horrible documented truth.

It required intelligence-like tactics to discover who it was exactly.

The "dead agent caper" was used to disprove the lies. This consisted of counter-documenting any area where the lies were circulated. The lie "they were _____" is countered by a document showing "they were *not*." This causes the source of the lie and any other statements from that source to be discarded.

That real trouble and damage was caused Scientology is not to be discounted. The brilliance of the defense was fantastic. The depth and inroads the propagandists reached was alarming. BUT THEY DIDN'T MAKE IT.

Some Black Propaganda campaigns have won in other areas, not Scientology.

The British got the US into World War I with Black Propaganda, despite a president elected on a peace platform.

Many individuals have been destroyed by Black Propaganda. Wilhelm Reich was by the lies and violence of the FDA.

So Black Propaganda is not a certain result technology. It is costly. It makes fantastic trouble.

Essentially it is NOT a PR campaign. It is a cross between PR and Intelligence.

The technique is:

A hidden source injects lies and derogatory data into public view.

Since it is a hidden source, it requires an intelligence approach to successfully end it.

In the meanwhile the "dead agent caper" is the best tool to counter it.

Legal action can restrain such a campaign but is chancy unless one knows the source or at least has counter-documents. It is risky solely because "law" is unpredictable. However legal action has a definite role in restraining, not in ending such a campaign.

A good policy when faced with a Black Propaganda campaign is to defend as best you can (dead agent and legal restraints) while you find out (intelligence) WHO is doing it. Then, confrontation can occur. Finding and suing false whos can make things much more involved.

Black Propaganda counter-campaigns are inevitable. One engages upon them whether he would or no. These are engaged on while one narrows down the area to an exact WHO. For instance, one knows the whatsits are attacking one. Thus he can counter-attack the whatsits. But *what* are the whatsits exactly? and to whom are they connected? and exactly WHO, an individual always, is keeping it going? These last three have to be answered eventually. And that requires an intelligence type search.

THE CROSS

So there is where Intelligence and PR cross.

When PR goes into Black Propaganda (hidden source using lies and defamation to destroy) it has crossed intelligence with publicity. They don't mix well.

The action is risky to engage upon as it may run into an ex-intelligence officer or trained intelligence personnel. It may also run into a dead agent caper or legal restraint.

Anyone engaging in Black Propaganda is either using a wrong way to right a wrong or confessing he can't make it in open competition.

PROTEST PR

Outright Protest PR, based on facts is a legitimate method of attempting to right wrongs.

It has to be kept overt. It has to be true.

Protest PR can include demonstrations, hard news stories and any PR mechanism.

Minorities have learned that only Protest PR can get attention from politicians or lofty institutions or negligent or arrogant bosses.

Where Protest PR is felt to be a necessity, *neglect* has already occurred on the issues.

The riots of Panama some years ago were very violent, verging on open war. This followed the negligence of the US in negotiating new treaties, a matter arranged for long ago and arrogantly skipped for several years by the US.

The slaves were freed in 1864 but were either misused or neglected for the next century and finally became a key racial problem full of demonstrations and riots and social unrest. Imperfect redress of wrongs following these then continued the riots. This is probably the biggest PR mess of the last century and a half wobbling this way and that. It is still in the stage of Protest PR, possibly because it went so very, very long unhandled.

The only real recourse these people had was Protest PR. Recently, black Congressmen were refused audience by the President and had to stage a demonstration before it was granted. But Protest PR *did* obtain an audience.

The silliest idea of modern times is conscription. Drafted soldiers might possibly be excused as a levee en masse but not as the habit of government in peace and war just to overcome their lack of ability to make the country worth fighting for and the armed services a stable attractive career. This is all the more foolish since hardly anyone in history ever had any trouble recruiting an army that could pay for one. Even Gibbon remarks on it as an amazingly easy thing to do in any civilization. And that is true today.

So conscription is continued. Facing every young man with an arbitrary military future was a bad thing. Napoleon invented it and he lost.

Protest PR was the answer used to contest it. Met by force and violence, it has not halted.

Somebody will have to give the country a nobler cause more decently prosecuted, will have to better the services and conditions and will have to admit men without demanding their right names or perfect physique and make them immune to recall for civil offenses. Probably that army would fight well. Conscript services are too expensive, too inefficient and too ready to revolt for any sane government to use them. But here this unhandled wrong has to resort to Protest PR.

So Protest PR has its place. It is a fine art. It is the subject of fantastic skill and tech.

It is not good. But it does work and it is used as a last resort when normal hearings and good sense fail.

When money and force lead and opinion leaders are unheeded, when special privilege enters management or government, Protest PR, the strike, the demonstration, is the tool employed.

If that doesn't work, or if it is crushed, subversive actions, general intelligence actions, Black Propaganda and other evils occur.

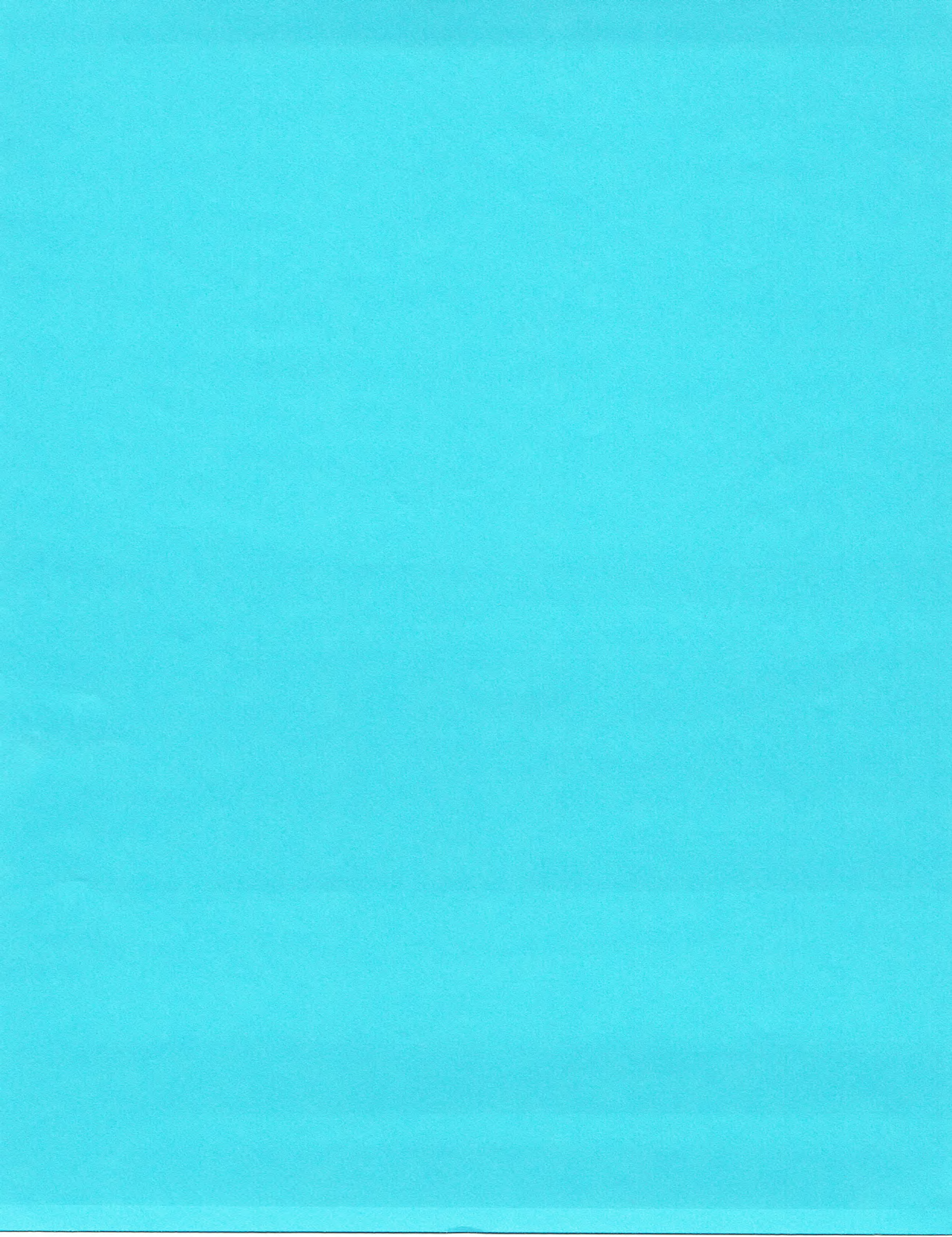
PR used soon enough can avert much of these consequences.

But there are always two in any fight and the other side may not want to live and so set themselves up.

Intelligent early PR is the best remedy. But it is not always possible.

L. RON HUBBARD
Founder

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SETTLEMENT AGREEMENT

A. PRIOR SETTLEMENTS:

Settlement agreements made prior to November 1, 1986 and prior to the collective settlement stated below:

<u>Client</u>	<u>Amount</u>	<u>Fee and Expenses</u>
(1) Bears	\$115,000.00	To be determined with local counsel
(2) Garritys	\$175,000.00	To be determined with local counsel
(3) Petersons	\$175,000.00	To be determined with local counsel
(4) Jefferson	\$150,000.00	To be determined with local counsel
(5) Lockwood	\$150,000.00	To be determined with local counsel
(6) Hartwell	\$150,000.00	To be determined with local counsel
	<u>\$915,000.00</u>	To be determined with local counsel

B. INDEPENDENT SETTLEMENT:

The Christofferson-Titchborne settlement was made separate from the collective settlement. It was agreed to between attorney Gary McMurray, his client, Julie Christofferson-Titchborne and the Church of Scientology.

(3)	Robert Dardano	\$ 15,000.00	None
(4)	Warren Friske	\$ 15,000.00	None
(5)	William Franks	\$ 40,000.00	None
(6)	Laurel Sullivan	\$ 40,000.00	None
(7)	Edward Walters	\$100,000.00	To be determined between client and attorneys
(8)	Howard Schomer	\$200,000.00	To be determined between attorney Bunch and client
(9)	Martin Samuels	\$500,000.00	To be determined between attorney McMurray and client
(10)	Gerald Armstrong v. Church of Scientology	\$800,000.00	To be determined between attorney Bunch and client
(11)	Fees and expenses to attorneys Contos & Bunch, Robert Kilbourne, Michael Flynn, and associated counsel for the prosecution and defense of various cases including the "Hubbard documents" case, the "check- frame up" case and the defense of approximately 17 lawsuits against attorney Flynn and his clients.	\$500,000.00	To be determined between attorneys Contos & Bunch, Michael Flynn, Robert Kilbourne, and associated counsel
(12)	Flynn v. Ingram (No. _____) Flynn v. Hubbard (No. _____)	\$575,000.00 -0-	To be determined between attorney Flynn and his counsel
		\$2,800,000.00	

We, the undersigned, agree and acknowledge that

- (1) we have read the foregoing Settlement Agreement;
- (2) that we agree with the total settlement amount and the allocations to the respective cases/clients as set forth therein;
- (3) that we have either consulted, been advised to consult ~~or~~ have had the opportunity to consult with attorneys other than Michael J. Flynn who, we acknowledge is also a claimant against the Church of Scientology and L. Ron Hubbard;
- (4) that we agree to maintain the confidentiality of this Settlement Agreement;
- (5) that we acknowledge that many of the cases/clients involved in this settlement have been in litigation against the Church of Scientology for more than six to seven years, that many have been subjected to intense, and prolonged harassment by the Church of Scientology throughout the litigation, and that the value of the respective claims stated therein is measured in part by the (a) length and degree of harassment; (b) length and degree of involvement in the litigation; (c) the individual nature of each respective claim in connection with either their involvement with the Church of Scientology as a member and/or as a litigant; (d) the unique value of each case/client based on a variety of things including, but not limited to, the current procedural posture of a case, specific facts unique to each case, and financial, emotional or consequential damage in each case; that we agree and

acknowledge that Michael J. Flynn has primarily been responsible for bearing the cost of the litigation over a period of approximately seven years, that he or his firm's members have been required to defend approximately 17 lawsuits and/or civil/criminal contempt actions instituted by the Church of Scientology against him, his associates and clients, that he and his family have been subjected to intense and prolonged harassment, and that his claims against the Church of Scientology and L. Ron Hubbard, and his participation as an attorney have a unique value which is accurately and properly reflected in the allocations set forth herein.

Nancy Dincalci
NANCY DINCALCI

DATE: Dec 5, 1986

Kima Douglas
KIMA DOUGLAS

DATE: Dec 5 - 1986

Robert Dardano
ROBERT DARDANO

DATE: Dec - 20 - 1986

WARREN FRISKE

DATE: _____

Laurel Sullivan
LAUREL SULLIVAN

DATE: Dec 7 1986

Julie Christofferson
Julie Christofferson

DATE: Dec 5, 1986

Julie Christofferson DATE: Dec 6, 1986

CAROL GARRITY

DATE: _____

Paul Garrity

DATE: _____

WILLIAM FRANKS

DATE: E. D. K.

Edward Walters

DATE: December 7th 1986

EDWARD WALTERS

Howard Schomer

DATE: 12-5-86

HOWARD SCHOMER

Martin Samuels

DATE: Dec. 4, 1986

MARTIN SAMUELS

Gerald Armstrong

DATE: 12-6-86

GERALD ARMSTRONG

MICHAEL J. FLYNN

DATE: _____

CONTOS & BUNCH
A PROFESSIONAL CORPORATION

By: Bruce M. Bunch
~~BRUCE M. BUNCH~~ ~~JULIA PRASOENIC~~

DATE: 12-10-86

Gary Mc Murray
GARY MC MURRAY

DATE: December 6, 1986

ROBERT KILBOURNE

DATE: _____

JANE PATERSON
3:3:17

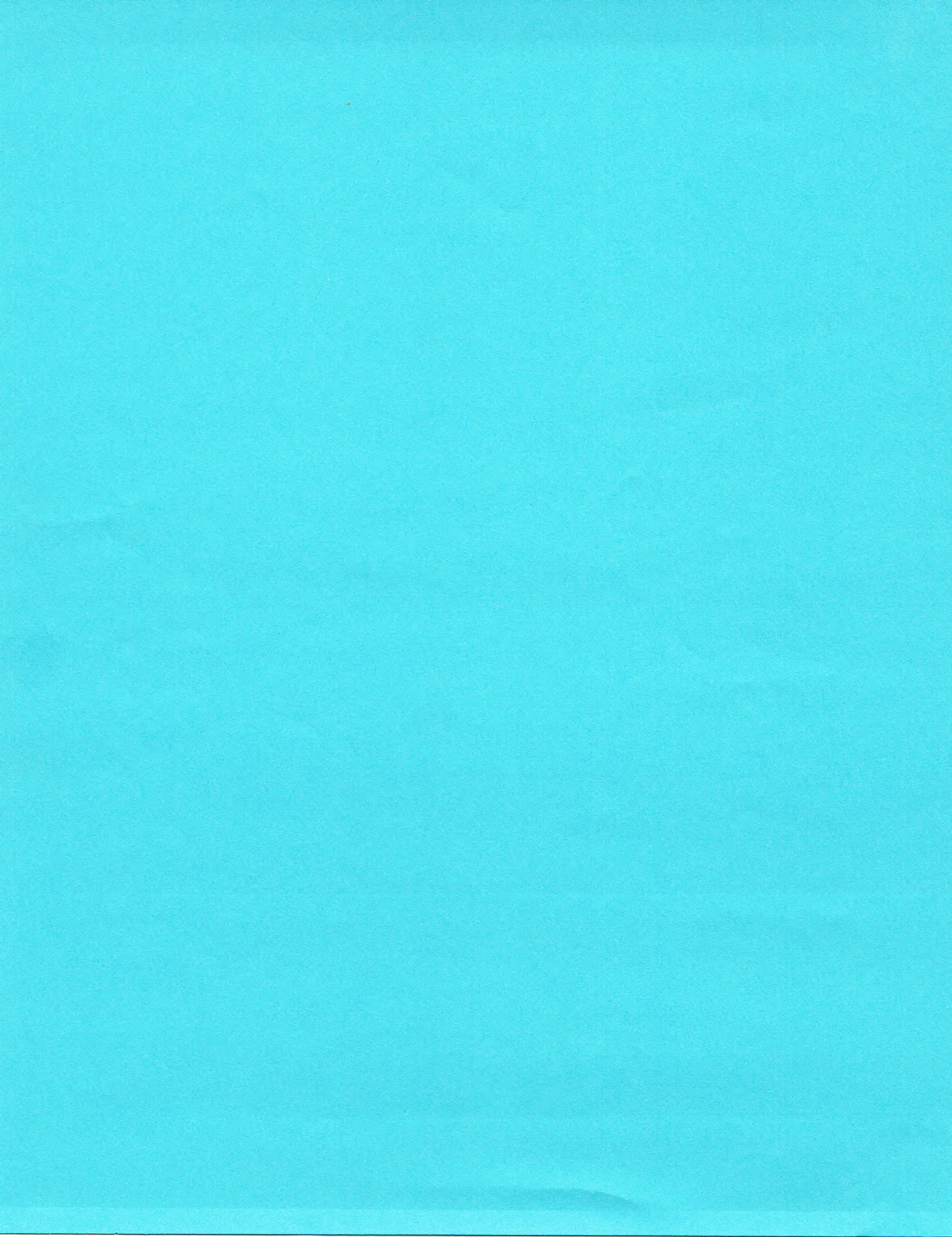
DATE: _____

Richard Paterson

DATE: _____

-6-

DATE: 12/5/86

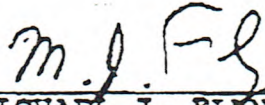


STIPULATION

The Church of Scientology of California, Mary Sue Hubbard, and Gerald Armstrong, by and through their undersigned counsel, hereby stipulate that in any retrial ordered by any appellate court in Church of Scientology of California v. Gerald Armstrong, LASC No. C 420153, the total damages awarded to the Plaintiff Church of Scientology of California and Plaintiff in Intervention Mary Sue Hubbard, combined for any and all causes of action, shall not exceed twenty five thousand and one dollars (\$25,001.00).

DATED:

12/10/86


MICHAEL J. FLINN

Attorney for Defendant
Gerald Armstrong

DATED:

Dec 10, 1986


JOHN G. PETERSON

Attorney for Plaintiff
Church of Scientology
of California

DATED:


MICHAEL LEE HERTZBERG

Attorney for Intervenor
Mary Sue Hubbard

INDEMNITY AGREEMENT

The undersigned hereby agree to jointly indemnify MICHAEL J. FLYNN within the limitation described in the last paragraph hereof, in the event, and only in the event, all of the following conditions occur:

1. The case of Church of Scientology of California v. Armstrong, Los Angeles Superior Court No. 420153 and Court of Appeal No. B005912 the appeal of which is presently pending before the California Appellate Courts, Second District, is reversed and the damage cause of action therein is remanded for a retrial by said the Appellate Court; and

2. The Plaintiff therein, Church of Scientology of California, retries any part of said action, pursuant to that remand, wherein the Church of Scientology of California prays for damages; and

3. Judgment is entered pursuant to said retrial in favor of the Church of Scientology of California and against Gerald Armstrong; and

3. Gerald Armstrong pays any part or all of said judgment for damages; and

4. Michael J. Flynn reimburses Gerald Armstrong for any part or all of the monies paid to the Church of Scientology of California by Gerald Armstrong pursuant to the said judgment.

If all of the foregoing conditions occur the undersigned will indemnify Michael J. Flynn only for the sum of money he has reimbursed Gerald Armstrong. In no event will the undersigned

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indemnify Michael J. Flynn for any sum greater than twenty-five thousand dollars.

Earle C. Cooley

EARLE C. COOLEY

Lawrence E. Heller

LAWRENCE E. HELLER